



LEXSEE 2007 U.S. DIST. LEXIS 26485

**AMERICAN GUARANTEE AND LIABILITY INSURANCE COMPANY, as subrogee of SAINT-GOBAIN CORPORATION and NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA., as subrogee of SAINT-GOBAIN CORPORATION, PLAINTIFFS, v CTA ACOUSTICS, INC. and BORDEN CHEMICAL, INC., DEFENDANTS.**

**CIVIL ACTION NO. 05-80-KKC**

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF KENTUCKY, SOUTHERN DIVISION**

*2007 U.S. Dist. LEXIS 26485*

**April 9, 2007, Decided**

**COUNSEL:** [\*1] For American Guarantee and Liability Insurance Company, as subrogee of Saint-Gobain Corporation - Saint-Gobain Corporation, National Union Fire Insurance Company of Pittsburgh, PA, as subrogee of Saint-Gobain Corporation - Saint-Gobain Corporation, Plaintiffs: Jerry J. Cox, LEAD ATTORNEY, Cox & Fish, LLC, Mt. Vernon, KY.

For Borden Chemical, Inc., Defendant: John G. Prather, Jr., LEAD ATTORNEY, Law Offices of John G. Prather, Somerset, KY.

**JUDGES:** Karen K. Caldwell, United States District Judge.

**OPINION BY:** Karen K. Caldwell

**OPINION**

**OPINION AND ORDER**

This matter is before the Court on the Motion for Production (Rec. No. 37) filed by the Plaintiffs and the parties' briefs addressing whether this Court should abstain in this matter pursuant to the *Colorado River* Doctrine. For the following reasons, the Motion for Production will be DENIED and the Court finds that abstention is not warranted in this action.

**I. FACTS.**

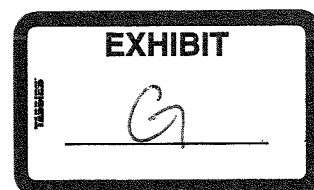
**A. BACKGROUND.**

**1) The Federal Action -- CertainTeed Parent Company's Insurers v. CTA and Borden.**

On February 16, 2005, American Guarantee and Liability Insurance Company and National Union Fire Insurance Company of Pittsburgh, Pa. (together, [\*2] the "Insurers") filed this subrogation action against CTA Acoustics, Inc. ("CTA") and Borden Chemical, Inc. seeking reimbursement for payments that the Insurers made to their insured, Saint-Gobain Corporation, for damages allegedly sustained by Saint-Gobain.

CTA owned a manufacturing facility in Corbin, Kentucky from which it manufactured, among other things, various acoustical and heat management insulation products. CTA used a phenolic resin binder in this manufacturing. Defendant Borden manufactured and sold Durite, a phenolic resin binder used by CTA.

On February 20, 2003, an explosion occurred at CTA's facility. According to the Insurers' Complaint, the explosion was determined to have originated in production line 405 and was caused by CTA's failure to properly maintain the production lines at the facility and its use of Durite at the facility.



According to the Insurers, Saint-Gobain's subsidiary -- CertainTeed -- leased production line numbers 401, 402 and 416 to CTA. CertainTeed did not lease production line 405 to CTA. The Insurers state that CertainTeed was not responsible for operating, cleaning, monitoring, maintaining, overseeing or supervising any production lines [\*3] or equipment at the manufacturing facility. The Insurers state that the explosion significantly interrupted the business of CertainTeed and that, as a result, Saint-Gobain incurred damages of more than \$ 2,900,000. Pursuant to the applicable insurance policies, the Insurers then paid Saint-Gobain \$ 2,900,000.

In this action, the Insurers assert state law claims that CTA negligently maintained the facility and that CTA breached the Equipment Lease Agreement with CertainTeed and breached certain express and implied warranties made in the Equipment Lease Agreement. The Insurers also assert claims against Borden of negligence, breach of contract, strict liability, and breach of certain express and implied warranties.

## **2) The State Action -- CertainTeed v CTA.**

Beginning in August of 2003, several plaintiffs claiming death or injury as a result of the explosion sued Borden, CertainTeed and CertainTeed's employee, Gary Tripp in Laurel Circuit Court. CertainTeed filed Third-Party Complaints against CTA in each of these actions. In addition to these suits, CTA sued Borden, CertainTeed and other defendants in Laurel Circuit Court in a case styled *CTA Acoustics, Inc., et al. v. [\*4] Borden Chemical, Inc. et al.*, Laurel Circuit Court, Division II, Case No. 04-CI-001222 (the "State Court Action"). In that action, CertainTeed filed a Counterclaim against CTA charging that CTA breached the Equipment Lease Agreement between the parties and that CTA negligently failed to properly maintain the manufacturing facility and the equipment. In the State Court Action, CertainTeed sought compensatory damages including attorneys' fees, property damage and business interruption losses it alleged were caused by CTA. (Rec. No. 17, Motion to Dismiss, Ex. B).

## **3) CTA's Motion to Dismiss the Federal Action or to Abstain.**

In this action, CTA filed a Motion to Dismiss or, Alternatively, for Abstention. In its Motion to Dismiss, CTA argued that the Insurers do not have a subrogation claim against CTA because the Insurers do not assert that

they paid Saint-Gobain for a debt that CTA owed Saint-Gobain. Instead, the Insurers assert that they paid Saint-Gobain for a debt CTA owed CertainTeed. CTA further argued that, to the extent that the Insurers seek to recover any debt CTA owed CertainTeed, that debt was already being pursued in the State Court Action, where CertainTeed had [\*5] asserted a claim against CTA. (Rec. No. 17, at 4-5).

Alternatively, CTA argued that, in light of the pending State Court Action, this Court should stay this action pending resolution of the State Court Action or exercise its powers of abstention and dismiss this action "in light of the parallel duplicative litigation between CTA and CertainTeed." (Rec. No. 17 at 12). CTA stated that the business interruption losses allegedly suffered by CertainTeed as a result of the subject explosion are the subject of "identical claims" in the State Court Action. CTA argued that the state court litigation would "affirmatively establish Borden's and CTA's fault in causing the subject explosion and also CTA's obligations, if any, to reimburse CertainTeed for its business interruption losses. . . [I]t is clear that the state court litigation will dispose of all the claims raised in this action involving CTA." (Rec. No. 17 at 14-15). On November 22, 2005, CTA moved to withdraw its motion for abstention stating without explanation that "facts in the underlying action have changed." (Rec. No. 18).

The Insurers did not respond to CTA's Motion to Dismiss and, thus, on November 28, 2005, the Court granted [\*6] the motion. (Rec. No. 20). The Insurers then moved for relief from the Court's Order dismissing their complaint.

## **4) Court's September 15, 2006 Opinion and Order.**

By Opinion and Order dated September 15, 2006, the Court granted the Insurer's motion for relief from the Court's Order dismissing their Complaint. The Court determined that, based upon the record currently before it, it appeared that the Court should abstain from this action pursuant to the *Colorado River* Doctrine. The Court noted that, with its Motion to Withdraw its motion for abstention, CTA had provided the Court with no evidence regarding any changes in the State Court Action that would indicate abstention was not warranted. Thus, the Court denied CTA's motion to withdraw its motion to abstain. Further, the Court ordered the parties to file additional briefs explaining more fully the claims made in

the State Court Action and any other relevant state action including any claims by and against Borden in those actions and addressing the other factors relevant to abstention under the *Colorado River* Doctrine.

## II. ANALYSIS.

### A. ABSTENTION.

"[T]he doctrine of abstention, under which [\*7] a District Court may decline to exercise or postpone the exercise of its jurisdiction, is an extraordinary and narrow exception to the duty of the District court to adjudicate a controversy properly before it." *Colorado River Water Conservation District v. United States*, 424 U.S. 800, 813, 96 S. Ct. 1236, 47 L. Ed. 2d 483 (1976). To determine whether this Court should abstain from this matter under the *Colorado River* Doctrine, the Court must first determine if there is a "parallel" state court proceeding. Actions are considered parallel if the parties are substantially similar and the claims arise from the same material facts. *Romine v. Compuserve Corp.*, 160 F.3d 337, 340 (6th Cir. 1998).

In its September 15, 2006 Opinion and Order, the Court stated that, based on the evidence before it at that time, it appeared that this action was parallel to the State Court Action. The Court noted that the Plaintiffs in this action are the insurers of CertainTeed's parent corporation who assert that CTA breached the Equipment Lease Agreement between the parties and negligently failed to properly maintain the manufacturing facility and equipment. The Insurers also assert certain claims against [\*8] Borden, the manufacturer of Durite. The Court further noted that, in the State Court Action, CertainTeed filed a claim against CTA charging that CTA breached the Equipment Lease Agreement between the parties and negligently failed to properly maintain the manufacturing facility and the equipment. (Rec. No. 17, Motion to Dismiss, Ex. B). Borden was also a party to the state court action. Thus, the Court concluded that, in this action, the Insurers were simply asserting the same claims that CertainTeed had asserted in the state court action. The Insurers were doing so as subrogee of CertainTeed's parent corporation.

In their briefs submitted in response to the Court's September 15, 2006 Opinion and Order, CTA, Borden and the Insurers all agree that abstention is not appropriate in this action because, on December 16, 2005, the Laurel Circuit Court dismissed with prejudice

"any and all claims" of Borden and CertainTeed against CTA. (Rec. No. 33, Laurel Circuit Court Order). The parties argue that, as a result of this Order, there is no longer a parallel state court proceeding. They argue that the only claims remaining to be adjudicated in the Laurel Circuit Court proceedings at this [\*9] time are CTA's claims against CertainTeed and Borden.

Because the Laurel Circuit Court has dismissed with prejudice all claims in state court by Borden and CertainTeed against CTA involving the incident at issue, the Court finds that there is no parallel state court proceeding. Accordingly, abstention is not warranted.

As to CTA's request that the Court reinstate the Order of Dismissal in this action, that Order was set aside due to the Court's justified concern brought about by CTA's motion that the Court should abstain from this action in light of the State Court Action which involved substantially similar parties and identical claims. The Court found that, because it appeared that it should abstain in the matter, exceptional or extraordinary circumstances existed that warranted setting aside the Order of Dismissal under *Fed. R. Civ. P. 60(b)(6)*.

Having already set aside the Order of Dismissal, and in accordance with this Court's preference for resolving cases on the merits, the Court declines to reinstate it. CTA may, however, in accordance with the Civil Rules, reassert the arguments made in its Motion to Dismiss for this Court's resolution [\*10] on their merits.

### B. MOTION FOR PRODUCTION.

With their Motion for Production, the Insurers ask the Court to order CTA to produce the confidential settlement agreement and release between CertainTeed and CTA which led to the state court's dismissal of CertainTeed's claims against CTA. The Insurers state they want a copy of the agreement because they have been advised that it specifically provides that the dismissal of the State Court Action will have no bearing on this federal action. In response, CTA argues that the settlement agreement is privileged. CTA also appears to argue that the settlement agreement is not relevant to this action.

Though it is not clear in the Insurers' motion, the Court presumes that the Insurers want a copy of the settlement agreement because they anticipate that CTA will at some point in this litigation argue that the Insurers

are barred from bringing their claims pursuant to the terms of the agreement and/or the Laurel Circuit Court's Order dismissing CertainTeed's claims against CTA. The Insurers would then presumably need a copy of the agreement to refute CTA's argument.

In *Goodyear Tire & Rubber Co. v. Chiles Power Supply, Inc.*, 332 F.3d 976 (6th Cir.2003), [\*11] the Sixth Circuit addressed "whether communications made in furtherance of settlement negotiations are discoverable by litigants in another action." *Id.* at 979. The Court determined that "a settlement privilege should exist." *Id.* at 981. Nevertheless, in *Goodyear*, the Court recognized a difference between settlement *communications* and the settlement agreement itself. *Id.* The *Goodyear* opinion applied only to settlement communications. See *Qsi-Fostoria, D.C., LLC v. BACM 2001-1 Cent. Park W., LLC*, 2006 U.S. Dist. LEXIS 48245, 2006 WL 2010791, at \* 2 (N.D. Ohio 2006)(*Goodyear* "settlement privilege" protects settlement *negotiations* from discovery but does not extend to the terms of the final agreement); *Grupo Condumex, S.A. de C. V. v. SPX Corp.*, 331 F.Supp.2d 623, 629 (N.D. Ohio 2004) (stating that settlement agreement is unprotected under *Goodyear*).

Thus, the confidential settlement agreement is not privileged. Further, the agreement is not protected from discovery simply because it has been denominated "confidential" by the parties. "[A] general concern for protecting confidential information does not equate to [\*12] privilege .... [I]n the context of settlement agreements the mere fact that settling parties agree to maintain the confidentiality of their agreement does not serve to shield the information from discovery. Simply put, litigants may not shield otherwise discoverable

information from disclosure to others merely by agreeing to maintain its confidentiality." *Adams v. Cooper Indus.*, 2007 U.S. Dist. LEXIS 22199, 2007 WL 805459 at \*2 (E.D.Ky. March 13, 2007)(quoting *DIRECTV, Inc. v. Puccinelli*, 224 F.R.D. 677, 684-85 (D.Kan.2004).

Accordingly, the Insurers will be entitled to the settlement agreement if it is "relevant to the claim or defense of any party. . ." *Fed. R. Civ. P. 26(b)(1)*. See also *Bank Brussels Lambert v. Chase Manhattan Bank, N.A.*, 1996 WL 71507 (S.D.N.Y. 1996). The Court, however, will deny the Insurers' motion for production of the agreement at this time. First, discovery has not begun in this matter. Thus, the request for the document is premature. Secondly, it is not clear how the agreement is currently relevant to this action. The agreement may well become relevant if CTA should argue that the [\*13] Insurers' claims are barred as a result of the agreement. Nevertheless, CTA has not made that argument yet.

### III. CONCLUSION.

For all the above reasons, the Court finds that abstention is not warranted in this action and hereby ORDERS that the Insurers' Motion for Production (Rec. No. 37) is DENIED.

Dated this 9th day of April, 2007.

**Signed By:**

*Karen K. Caldwell*

**United States District Judge**



LEXSEE 2009 U.S. DIST. LEXIS 22114

**CUMMINS-ALLISON CORP., Plaintiff, v. SBM CO., LTD., ET AL., Defendant.**

**Civil Action No. 9:07-CV-196 (consolidated)**

**UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, LUFKIN DIVISION**

*2009 U.S. Dist. LEXIS 22114*

**March 19, 2009, Decided**

**March 19, 2009, Filed**

**NOTICE:** NOT INTENDED FOR PUBLICATION IN PRINT

**PRIOR HISTORY:** *Cummins-Allison Corp. v. Sbm Co., 2009 U.S. Dist. LEXIS 22100 (E.D. Tex., Mar. 19, 2009)*

**COUNSEL:** [\*1] Dr Howard K Schmidt, Technical Advisor, Pro se, Houston, TX.

For Cummins-Allison Corp, Plaintiff: Clyde Moody Siebman, LEAD ATTORNEY, Siebman Reynolds Burg & Phillips LLP, Sherman, TX; David C McKone, Latham & Watkins - Chicago, Chicago, IL; Edward L Foote, Winston & Strawn, Chicago, IL; J Thad Heartfield, The Heartfield Law Firm, Beaumont, TX; Jeffrey G Knoll, Cummins-Allison Corp, Mt Prospect, IL; Jodi Rosen Wine, Nixon Peabody LLP, Chicago, IL; Justin D Swindells, PRO HAC VICE, Stephen G Rudisill, Nixon Peabody LLP - Chicago, Chicago, IL; Scott J. Szala, Winston & Strawn - Chicago, Chicago, IL.

For Shinwoo Information & Telecommunications Co., Ltd., other SBM Co Ltd, Amro-Asian Trade, Inc., Defendants: Charles J Rogers, LEAD ATTORNEY, Conley Rose, P.C., Houston, TX; Michael James Guthrie, Conley Rose, Plano, TX; Michael Joseph Truncale, Orgain Bell & Tucker - Beaumont, Beaumont, TX; Thomas Loyd Warden, Conley Rose - Houston, Houston, TX.

For Shinwoo Information & Telecommunications Co., Ltd., Amro-Asian Trade, Inc., Counter Claimants:

Charles J Rogers, LEAD ATTORNEY, Conley Rose, P.C., Houston, TX; Michael James Guthrie, Conley Rose, Plano, TX; Michael Joseph Truncale, Orgain Bell & [\*2] Tucker - Beaumont, Beaumont, TX.

For Cummins-Allison Corp, Counter Defendant: Clyde Moody Siebman, LEAD ATTORNEY, Siebman Reynolds Burg & Phillips LLP, Sherman, TX; David C McKone, Latham & Watkins - Chicago, Chicago, IL; Edward L Foote, Winston & Strawn, Chicago, IL; J Thad Heartfield, The Heartfield Law Firm, Beaumont, TX; Scott J. Szala, Winston & Strawn - Chicago, Chicago, IL; Stephen G Rudisill, Nixon Peabody LLP - Chicago, Chicago, IL.

For Shinwoo Information & Telecommunications Co., Ltd., Amro-Asian Trade, Inc., Counter Claimants: Charles J Rogers, LEAD ATTORNEY, Conley Rose, P.C., Houston, TX; Michael Joseph Truncale, Orgain Bell & Tucker - Beaumont, Beaumont, TX.

For Cummins-Allison Corp, Counter Defendant: Clyde Moody Siebman, LEAD ATTORNEY, Siebman Reynolds Burg & Phillips LLP, Sherman, TX; David C McKone, Latham & Watkins - Chicago, Chicago, IL; Edward L Foote, Winston & Strawn, Chicago, IL; J Thad Heartfield, The Heartfield Law Firm, Beaumont, TX; Jeffrey G Knoll, Cummins-Allison Corp, Mt Prospect, IL; Scott J. Szala, Winston & Strawn - Chicago, Chicago, IL; Stephen G Rudisill, Nixon Peabody LLP - Chicago, Chicago, IL.

**JUDGES:** Ron Clark, United States District Judge.

**OPINION BY:** Ron Clark

**OPINION**

**ORDER [\*3] Re: DEFENDANTS' INVALIDITY CONTENTIONS**

Plaintiff Cummins-Allison Corp. seeks to limit Defendants SBM Co., Ltd, (formerly known as Shinwoo Information & Telecommunications Co. Ltd.) and Amro-Asian Trade, Inc.'s invalidity position at trial for an

alleged failure to fully state their Invalidity Contentions. [Doc. # 82]. Defendants respond by requesting leave to amend their Invalidity Contentions. [Doc. # 89]. The court finds that Defendants lack "good cause" and denies their motion to amend their invalidity contentions. However, Defendants did sufficiently disclose two contentions: (1) The JetScan 4062 anticipates Claims 41 and 55 of the '*354 Patent*'; and (2) the JetScan 4061 Operating Instructions in combination with other pieces of prior art, supports invalidity of Claim 15 of the '*503 Patent*'. Defendants may assert these contentions at trial.

**I. BACKGROUND**

August 27, 2007	Plaintiff Cummins-Allison Corp. filed suit against Defendants SBM Co., Ltd (formerly known as Shinwoo Information & Telecommunications Co., Ltd.) and Amro-Asian Trade, Inc. alleging infringement of <i>United States Patent No. 6,459,806</i> ("the ' <i>806 patent</i> '). Plaintiff later added general allegations that Defendants infringe unspecified claims from <i>United States Patent Nos. 6,381,354</i> ("the ' <i>354 Patent</i> "); <i>5,966,456</i> ("the ' <i>456 Patent</i> "), and <i>5,909,503</i> ("the ' <i>503 patent</i> ').
January 15, 2008	Defendant Amro filed an application to reexamine the ' <i>456 Patent</i> with the United States Patent Office ("PTO").
March 24, 2008	Plaintiff served its Infringement Contentions
April 14, 2008	Defendants served their Invalidity Contentions.
June 10, 2008	Plaintiff served its Supplemental Infringement Contentions.
July 8, 2008	Defendant Amro filed an application to reexamine the ' <i>354 Patent</i> with the United States Patent Office ("PTO").
January 31, 2009	Discovery closed

**II. [\*4] APPLICABLE LAW**

Local Patent Rule 3-6(b) provides that a party may amend its Invalidity Contentions by order of the court upon a showing of good cause. The purpose of the Local Rules is to "further the goal of full, timely discovery and provide all parties with adequate notice and information with which to litigate their cases, not to create supposed loopholes through which parties may practice litigation by ambush." *IXYS Corp. v. Advanced Power Tech., Inc.*, 2004 U.S. Dist. LEXIS 10934, 2004 WL 1368860, \*3 (N.D. Cal. June 16, 2004); see also *STMicroelectronics, Inc. v. Motorola, Inc.*, 307 F.Supp.2d 845, 849 (E.D. Tex. 2004).

A party cannot argue that because of its own inability and delay in understanding the divulged prior art, it possesses good cause to prepare new invalidity contentions. Accepting such an argument would encourage parties to engage in delay tactics under the guise of the inability to understand prior art and only seek expert advice late in the discovery process. One of the goals of the Federal Rules of Procedure and the Local Patent Rules is to speed up the litigation process and

make it less expensive. See *Finisar v. DirecTV Group, Inc.*, 424 F. Supp. 2d 896, 901 (E.D. Tex. 2006). A party simply [\*5] cannot wait until shortly before trial to prepare its case. *Id.* Moreover, the right to amend is subject to the court's duty to avoid unfairly prejudicing Plaintiff "through eleventh-hour alterations." *IXYS Corp.*, 2004 U.S. Dist. LEXIS 10934, 2004 WL 1368860, at \*1.

A court has the inherent power to enforce its scheduling orders and to impose sanctions. *Fed. R. Civ. P. 16(f)*. However, interpretation and enforcement of discovery provisions of the Local Patent Rules should not conflict with, and should harmonize with, the discovery provisions of the Federal Rules of Civil Procedure. See *02 Micro Intern. Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1365 (Fed. Cir. 2006). Deciding whether late filed invalidity contentions should be excluded is slightly different from deciding whether evidence should be excluded for discovery violations. It is also akin to deciding whether the pleading deadlines of a scheduling order should be extended. Therefore, the court will consider the kinds of factors identified as important in making both types of decisions. See *id.* at 1366; *Finisar*, 424 F. Supp. 2d at 899. A non-exclusive list of factors considered by courts includes:

a.	The danger of unfair prejudice to the non-movant;
b.	The length of the delay and its potential impact on judicial proceedings;
c.	The reason for the delay, including whether it was within the reasonable control of the movant;
d.	The importance of the particular matter, and if vital to the case, whether a lesser sanction would adequately address the other factors to be considered and also deter future violations of the court's scheduling orders, local rules, and the federal rules of procedure; and
e.	Whether the offending party was diligent in seeking an extension of time, or in supplementing discovery, after an alleged need to disclose the new matter became apparent.

See, [\*6] e.g., *Betzel v. State Farm Lloyds*, 480 F.3d 704, 707 (5th Cir. 2007) (listing factors to consider for exclusion of evidence); *Roberts v. Galen of Va., Inc.*, 325 F.3d 776, 782 (6th Cir. 2003) (rule 37(c)(1) mandates that a trial court punish a party for failure to make disclosures under Rule 26, unless the violation was harmless or is substantially justified); *S & W Enters., L.L.C. v. Southtrust Bank of Alabama, N.A.*, 315 F.3d 533, 535 (5th Cir. 2003) (party seeking leave to amend a court's scheduling order must show "good cause," i.e., that the deadlines cannot reasonably be met despite the diligence of the party seeking the extension.); *Pioneer Inv. Serv. Co. v. Brunswick Assocs.*, 507 U.S. 380, 395, 113 S. Ct. 1489, 1498, 123 L. Ed. 2d 74 (1993) (listing factors in determining excusable neglect).

### III. ANALYSIS

Plaintiff moved to prevent Defendants from arguing certain invalidity contentions that were not disclosed in Defendants' Invalidation Contentions. In Defendants' Response and Cross-Motion to Amend Invalidation Contentions, Defendants state that they do not assert a number of contentions to which Plaintiff objected and seeks relief. Based upon Defendants' representation, Plaintiff withdrew its motion [\*7] to the follow contentions [Doc. # 91 at 5]:

#### The '806 Patent:

1. The DLR 3000 User Guide and DLR 3000 Brochure anticipates Claims 78, 81, 85, and 120;
2. The CF-401 Reference anticipates Claims 51, 58, 78, and 81;
3. The DLR 3000 User Guide anticipates Claims 78, 81, 85, and 129;

#### The '354 Patent:

1. The CF-420 Operator's Manual and the DLR 3000 User Guide render obvious Claim 68;
2. The CF-420 Operator's Manual and the Takesako Patent render obvious Claim 68;
3. The DLR 3100 and the Takesako Patent render obvious Claims 41 and 55;

4. Claims 41, 55, and 68 are invalid as indefinite;

#### The '503 Patent:

1. The DLR 3700 Manual anticipates Claim 15;
2. The DLR Manual, the DLR 3700 Used Banknote Sorting Manual, and the DLR 3700 Range of Banknote Sorters Operators Manual render obvious Claim 15;
3. Claim 15 is invalid as indefinite;

#### As to the '456 Patent:

1. The CF-420 Operator's Manual anticipates Claims 27, 42, and 43; and
2. *United States Patent No. 4,114,804; 4,228,781; or 4,707,843* will be used to support invalidity.

The court considers the remaining invalidity contentions that Plaintiff seeks to prevent Defendants from asserting at trial and Defendants seek to add to their Invalidation Contentions.

#### A. The [\*8] '806 Patent

##### 1. *The CF-400, CF-401, and DLR 3000 User Guide (All asserted claims)*

Plaintiff seeks to exclude the combination of the CF-400, CF-401, and De La Rue ("DLR") 3000 User Guide from being asserted against the '806 Patent because Defendants did not disclose any combination which included the DLR 3000 User Guide in their Invalidation Contentions. Defendants cite two reasons why they should be allowed to amend their Invalidation Contentions

First, Defendants state that the combination was "clearly suggested" in Defendants' Invalidation Contentions. Doc. # 89 at 6. Defendants' Invalidation Contentions contain the combination of the CF-400 and CF-401 with a declaration by their expert that discusses "advances in microprocessor technology to show that the speed limitations in the asserted claims of the '806 patent were



obvious additions to the prior art CF-400 and CF-401 machines." *Id.* at 6-7. To show obviousness of the same speed limitation, which occurs in the '456 Patent, another patent-in-suit, Defendants asserted the DLR 3000 User Guide. Defendants contend that Plaintiff would suffer no prejudice because Defendants' Invalidity Contentions placed Plaintiff on notice that the DLR 3000 User [\*9] Guide would be used to show the speed limitation was met in the '806 Patent.

Second, Defendants contend that the disclosure of the CF-400, CF-401 and DLR 3000 User Guide combination in a February 7, 2008 application to reexamine placed Plaintiff on notice of the prior art combination and therefore Plaintiff will not be prejudiced by its assertion at trial.

While Plaintiff has undoubtedly engaged in tactical games in an attempt to gain an advantage by asserting more than 200 claims, having only pared them down to 116 claims at the time Defendants served their Invalidity Contentions, Defendants cannot be excused for neglecting to file complete Invalidity Contentions.

The purpose of the Patent Local Rule 3-3 is to place the Plaintiff on notice of potentially invalidating art that Defendants will assert in their case and at trial. Mere "suggestion" does not suffice. Defendants are required to submit Invalidity Charts to provide notice of how each claim element is met. Failure to provide the specific reference that allegedly reads on a claim limitation of the '806 Patent does not place Plaintiff on sufficient notice. Nor does the filing of an application for reexamination with the United States [\*10] Patent Office. *Hoechst Celanese Corp. v. BP Chemicals Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996) ("The grant of a request for reexamination, although surely evidence that the criterion for reexamination has been met (i.e., that a 'substantial new question of patentability' has been raised, 35 U.S.C. § 303), does not establish a likelihood of patent invalidity.").

Defendants were previously aware of the CF-400, CF-401 and DLR User Guide combination as they filed the application to reexamine on February 7, 2008, more than two months prior to serving their Invalidity Contentions on April 14, 2008. Defendants offer no explanation for failing to timely disclose the combination in the Invalidity Contentions if they wished to assert it at trial. Defendants also made no showing that the combination of references is vitally important. The

necessity of this combination as potentially invalidating is reduced because the exact combination will be considered by the PTO. Defendants' choice to exclude the DLR 3000 user Guide reference when it was known months prior to the service of the Invalidity Contentions and was included in an application for reexamination further suggests that it was not vital [\*11] to Defendants' invalidity defense. If Defendants were allowed to amend and add the CF-400, CF-401 and DLR User Guide combination, Plaintiff would suffer prejudice as it would be forced to prepare for additional invalidity defense which at a minimum requires that it submit a supplemental expert report. The factors weigh towards preventing Defendants from asserting the CF-400, CF-401, and DLR 3000 User Guide combination as allegedly invalidating the asserted claims of the '806 Patent at trial. Defendants may not amend their Invalidity Contentions to include this combination

## 2. The CF-420

Defendants seek to assert the CF-420 against the '806 Patent although Defendants did not include the CF-420 reference in their Invalidity Contentions. The only reasons Defendants cite in include the reference are (1) that Plaintiffs produced the operating manual for the CF-420, but did not produce one for either the CF-400 or CF-401, and (2) Plaintiff acknowledged the pre-critical date of sales for the CF-420.

Simply because Defendants later learned that they made a mistake in not asserting a potentially invalidating piece of prior art because Plaintiff made a helpful admission is not sufficient "good cause" [\*12] for leave to amend. Defendants fail to show that they could not have timely asserted the CF-420 in their Invalidity Contentions. Further, the court fails to see how the disclosure of the operating manual is significant to the assertion of the CF-420 machine as alleged prior art supporting invalidity of the '806 Patent. Defendants do not seek to use the operating manual itself as prior art. The manual's only use seems to be as an aid in understanding the CF-420 in greater detail. If the CF-400 and CF-401 are so similar to the CF-420, then the manual for the CF-420 should also aid in the comprehension of how those machines work. Defendants have not shown "good cause" and cannot amend their Invalidity Contentions or assert the CF-420 against the '806 Patent at trial.

## B. The '354 Patent

*1. The JetScan 4062 (Claims 41 and 55)*

Defendants assert that Plaintiff, in its Infringement Contentions, admitted that the JetScan 4062 embodies Claims 41 and 55 of the '354 Patent. Doc. # 84 Ex. S at 3 ("All the other asserted claims [including Claims 41 and 55 of the '354 Patent] are practiced by [Plaintiff] Cummins' 'JetScan' Models 4062. . ."). Plaintiffs do not contest the validity of the admission and [\*13] only argue that no basis exists to assert the reference as invalidating prior art because it was only "suggested" in Defendants' Invalidity Contentions and was not included in a claim chart. Doc. # 89 at 6 (citing § III.C.1 which is the JetScan 4062 reference asserted as anticipating Claims 41 and 55 of the '354 Patent).

Defendants' statements in their Invalidity Contentions are more than "suggestions." Defendants asserted that Plaintiffs admit that a number of claims, including Claims 41 and 55 of the '354 Patent are "practiced by the Jetscan [*sic*] 4062." Doc. # 89, Ex. 3 at 4. Defendants specifically assert that "Claims 1, 2, 35, 41, 47, 54, 55, 61 and 62 are unpatentable under 35 USC §§102 and/or 103 . . . by the JetScan 4062." *Id.* at 5.

Defendants clearly set out their defense. Any skilled patent attorney would understand that invalidity based on one's own product involves the "on-sale bar" of 35 U.S.C. § 102(b). Plaintiff admitted that the JetScan 4062 practices Claims 41 and 55. It is of no consequence whether Defendants provided a claim chart at that time, or any other time; nor even if Defendants understand how each element is satisfied. P.R. 3-3(c) functions to give a party [\*14] notice. The court will not use it as a purely procedural bar when Plaintiff was placed on notice that its own product would be used to challenge the validity of two asserted claims. Given Plaintiff's admission, the only open questions are the priority date of the patent and the date the JetScan 4062 was first "on-sale."

Defendants may rely on their assertion that the JetScan 4062 anticipates Claims 41 and 55 of the '354 Patent. Defendants need not amend their Invalidity Contentions.<sup>1</sup>

<sup>1</sup> Should Defendants seek to assert an invalidity defense that relies on more than the admission made by Plaintiff, such as using the JetScan 4062 to support obviousness under 35 U.S.C. § 103, Defendants would need to move for leave to amend their Invalidity Contentions. At such a late

date, Plaintiff would likely be prejudiced if this occurred.

*2. The Dobbins Patent (Claims 41, 55 and 68)*

Plaintiff seeks to prevent Defendants from arguing that *U.S. Patent No. 4,628,194* ("the Dobbins Patent") anticipates Claims 41, 55 and 68 of the '354 Patent because the Dobbins Patent was not disclosed in Defendants' Invalidity Contentions. Defendants state that the Dobbins patent was first discovered while preparing an [\*15] application to reexamine the '354 patent served on July 8, 2008. Doc. # 89 at 7. Defendants knew about the Dobbins Patent for more than 6 months without requesting leave to amend their Invalidity Contentions.

Defendants offer no reason for failing to move to amend earlier. Rather, they seek to divert the court's attention by contending that Plaintiff would not suffer prejudice because Plaintiff cited the Dobbins patent during prosecution of the '354 Patent. Plaintiff is entitled to rely on Defendants' Invalidity Contentions and would suffer prejudice if Defendants were allowed to assert that the Dobbins Patent anticipates Claims 41, 55 and 68 of the '354 Patent.

Further, the assertion of the Dobbins Patent is also not extremely important. The Dobbins Patent was listed as prior art on the application for the '354 Patent. There is little reason to believe that Defendants could craft a winning invalidity defense based on prior art already considered by the PTO. *See Al-Site Corp. v. VSI Int'l, Inc., 174 F.3d 1308, 1323 (Fed. Cir. 1999)*. The factors weigh against allowing Defendants to amend their Invalidity Contentions. They will be precluded from arguing that the Dobbins Patent anticipates [\*16] Claims 41, 55 and 68 of the '354 Patent at trial.

*3. The CF-420 Operator's Manual and the Emery Patent (Claim 68)*

Plaintiffs seek to exclude the CF-420 Operator's Manual in combination with the *U.S. Patent No. 4,542,829* ("the Emery Patent") as supporting obviousness of Claim 68 of the '354 Patent because Defendants did not assert the combination in their Invalidity Contentions or even disclose the Emery Patent as potentially invalidating the '354 Patent. Defendants only argue that Plaintiffs were placed on notice when they filed an application to reexamine on July 8, 2008. As discussed above, this does not provide sufficient notice in

this case. Defendants offer no explanation for the more than 6 month delay in requesting leave to amend. Plaintiff would suffer prejudice if forced to respond to this new combination of prior art at such a late date. Defendants cannot amend their Invalidity Contentions to allege that Claim 68 is obvious in light of the CF-400 Operator's Manual and the Emery Patent and will be precluded from arguing it at trial.

#### 4. *The JetScan 4061 and the Dobbins Patent*

Defendants seek leave to assert the JetScan 4061 in combination with the Dobbins Patent to support the [\*17] obviousness of Claim 68 of the '354 Patent. Defendants rely on the fact that they disclosed the Dobbins Patent in an application to reexamine served on July 8, 2008. As discussed above, this is insufficient notice and does not provide "good cause" to amend the Invalidity Contentions. Defendants may not assert this combination at trial against Claim 68 of the '354 Patent at trial.

#### C. The '503 Patent

##### 1. *The Lacey Patent and the DLR 3110 Technical Manual (Claim 15)*

Plaintiff seeks to exclude the combination of *U.S. Patent No. 4,875,589* ("the Lacey Patent") and the DLR 3110 Technical Manual to support the obviousness of Claim 15 of the '503 Patent. Again, Defendants seek to rely upon their disclosures in an application to reexamine. Defendants served the application on Plaintiff on January 16, 2008, but did not assert the Lacey Patent and DLR 3110 Technical Manual combination in their Invalidity Contentions. Plaintiff would be prejudiced by the late assertion of this combination. The court does not find "good cause" to allow Defendants to assert this combination against Claim 15 of the '503 Patent at trial or amend their Invalidity Contentions to include the combination.

##### 2. *The JetScan 4061 [\*18] Operating Instructions (Claim 15)*

Plaintiffs seek to exclude the use of the JetScan 4061 Operating Instructions to support the invalidity of Claim 15 of the '503 Patent. Defendants provide a detailed chart in their Invalidity Contentions using the JetScan 4061 Operating Instructions in combination with other pieces of prior art to allege an obviousness defense. Doc. # 89,

Ex. 3 at 54-57. This complies with the Patent Local Rules and Defendants are entitled to assert the combination disclosed in their Invalidity Contentions at trial without need to amend.

#### D. The '456 Patent

##### 1. *The CF-420 Operator's Manual, the Barnes Patent, and the DLR 3000 User Guide (Claims 37 and 39)*

Plaintiffs seek to prevent Defendant from alleging that the combination of the CF-420 operator's Manual, *U.S. Patent No. 5,358,088* ("the Barnes Patent") and the DLR 3000 User Guide support the obviousness of Claim 37 and 39 of the '456 Patent. Doc. # 82 at 6-7. Defendants admit that "the precise combination of all three references was not applied in Defendants' Invalidity Contentions with respect to claims 37 and 39. . . ." Doc. # 89 at 11. Defendants contend that because they had applied (1) the combination of the DLR [\*19] 3000 User Guide and the Barnes Patent and (2) the combination of the CF-420 Operator's Manual and the Barnes Patent to other claims "in the same manner," they should be allowed to assert the combination of the CF-420 Operator's Manual, the Barnes Patent, and the DLR 3000 User Guide against Claims 37 and 39 of the '456 Patent at trial. *Id.* Defendants offer no reason for failing to timely assert the three-reference combination against Claims 37 and 39 of the '456 Patent.

Alleging two of three pieces of prior art against other asserted claims "in the same manner" as Defendants wish to assert against Claims 37 and 39 of the '456 Patent does not provide notice and does not show "good cause" to now assert all three pieces of alleged prior art in combination. Defendants may not assert this combination at trial and may not amend their Invalidity Contentions to add this combination.

##### 2. *The CF-420 Operator's Manual, the Barnes Patent, and the Takesako Patent (Claims 25, 27, 42 and 43)*

Defendants did not previously assert this combination of prior art and again rely on the argument that because they included it in an application to reexamine on June 27, 2008, Defendants should be allowed to assert [\*20] the combination at trial. This does not provide "good cause" as discussed above. Defendants may not assert this prior art combination at



LEXSEE 2009 U.S. DIST. LEXIS 36704

**EL CAMINO RESOURCES, LTD., et al., Plaintiffs, v. HUNTINGTON NATIONAL BANK, Defendant.**

**Case No. 1:07-cv-598**

**UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION**

*2009 U.S. Dist. LEXIS 36704*

**April 30, 2009, Decided**

**April 30, 2009, Filed**

**PRIOR HISTORY:** *El Camino Res., Ltd. v. Huntington Nat'l Bank*, 2009 U.S. Dist. LEXIS 13143 (W.D. Mich., Feb. 20, 2009)

**COUNSEL:** [\*1] For El Camino Resources, Ltd., a California corporation, plaintiff: John E. Anding, LEAD ATTORNEY, Thomas Vincent Hubbard, Drew Cooper & Anding, Grand Rapids, MI; John Albert Graham, Jeffer Mangels Butler & Marmaro LLP, Los Angeles, CA.

For ePlus Group, Inc., a Virginia corporation, plaintiff: John E. Anding, LEAD ATTORNEY, Thomas Vincent Hubbard, Drew Cooper & Anding, Grand Rapids, MI.

For Bank Midwest, N.A., a national banking association, plaintiff: Duane Lee Coleman, Lewis Rice & Fingersh LC, St. Louis, MO.

For Huntington National Bank, a national banking association, defendant: Amanda May Fielder, Inga April Hofer, James Moskal, Jeffrey O. Birkhold, Kevin M. Kileen, Matthew T. Nelson, Warner Norcross & Judd LLP (Grand Rapids), Grand Rapids, MI.

For Office of the Comptroller of the Currency, intervenor: Jennifer L. McManus, LEAD ATTORNEY, U.S. Attorney (Grand Rapids), Grand Rapids, MI.

For Facilitative Mediator, mediator: Charles H. Worsfold, LEAD ATTORNEY, Worsfold Macfarlane McDonald PLLC, Grand Rapids, MI.

**JUDGES:** Joseph G. Scoville, United States Magistrate Judge. Honorable Janet T. Neff.

**OPINION BY:** Joseph G. Scoville

**OPINION**

**MEMORANDUM OPINION**

This is a diversity action in which plaintiffs seek to hold the defendant [\*2] bank responsible for aiding and abetting a massive fraud perpetrated by Cyberco Holdings, Inc., a former customer of the bank. Discovery in this matter is closed, summary judgment motions are pending, and the matter is set for trial in the month of July 2009. Presently pending before the court is plaintiffs' motion for leave to take the *de bene esse* deposition of James Michael Horton, a former executive officer of Cyberco. Leave of court is necessary because Mr. Horton is serving a prison sentence of over seven years, imposed by Judge Robert Holmes Bell on December 12, 2006, for Mr. Horton's complicity in the mail fraud, bank fraud, and money-laundering activities of Cyberco. (*United States v. Horton*, No. 1:06-cr-87).

Plaintiffs move pursuant to *Rule 30(a)(2)(B)*, which requires leave of court to conduct a deposition of a deponent confined in prison. Generally, this court grants leave for such depositions freely, as long as the deposition can be conducted without undue imposition on

prison authorities. In the present case, defendant objects to the deposition on two essential grounds.<sup>1</sup> First, defendant asserts that Horton's name is not contained on plaintiffs' *Rule 26(a)(1)* initial disclosure [\*3] and that, by virtue of *Rule 37(c)(1)*, exclusion of the witness's testimony is mandatory. Second, defendant argues that discovery is closed, and that plaintiffs have not shown good cause to amend the case management order to allow further discovery as required by *Fed. R. Civ. P. 16(b)*. District Judge Janet T. Neff has referred this matter to me for decision pursuant to *28 U.S.C. § 636(b)(1)(A)*.

1 This memorandum opinion addresses only defendant's serious objections. The repeated suggestion that Horton's testimony should be excluded because he is a "convicted fraudster" merits little consideration. Such credibility issues are for the trier of fact and provide no reason to exclude testimony wholesale. The argument that Horton "will say whatever plaintiffs want him to say" is both puzzling and unsupported, and, in all events, frames only an issue of bias, again a question for the jury.

Upon review, I find that neither of the defendant's arguments are persuasive. Plaintiffs will be granted leave to take this deposition and preserve the testimony of James Horton for trial by means of an oral deposition.

#### 1.

*Rule 26(a)(1)* requires that parties make initial disclosures, unless otherwise ordered [\*4] by the court, providing specified information, including the name of each individual likely to have discoverable information that the disclosing party may use to support its claims or defenses. *FED. R. CIV. P. 26(a)(1)(A)(i)*. *Rule 37(c)* provides sanctions for failure to make a proper *Rule 26(a)* disclosure. *Rule 37(c)(1)* provides in its entirety as follows:

#### **(c) Failure to Disclose, to Supplement an Earlier Response, or to Admit.**

**(1) Failure to Disclose or Supplement.** If a party fails to provide information or identify a witness as required by *Rule 26(a)* or (e), the party is not allowed to use that information or

witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless. In addition to or instead of this sanction, the court, on motion and after giving an opportunity to be heard:

(A) may order payment of the reasonable expenses, including attorney's fees, caused by the failure;

(B) may inform the jury of the party's failure; and

(C) may impose other appropriate sanctions, including any of the orders listed in *Rule 37(b)(2)(A)(i)-(vi)*.

*FED. R. CIV. P. 37(c)(1)*. In the present case, it is undisputed that the name of James [\*5] Michael Horton does not appear in plaintiffs' *Rule 26(a)(1)* disclosure, but it does appear in the disclosure submitted by defendant. Defendant argues that plaintiffs' failure to include Horton's name in its *Rule 26(a)(1)* disclosure requires preclusion of his testimony at trial.

*Rule 37(c)(1)*, which has been part of the Federal Rules of Civil Procedure for over fifteen years, squints Janus-like in two opposite directions. The rule appears to establish a mandatory and automatic preclusion of a party's use of information or witnesses that the party did not disclose as required by *Rule 26(a)*. This has led courts, including the Sixth Circuit, to observe that preclusion is automatic under *Rule 37*. See, e.g., *Caudell v. City of Loveland*, 226 F. App'x 479, 481 n.1 (6th Cir. 2007). The mandatory language of *Rule 37(c)(1)*, however, is followed by a very important subordinate clause that is introduced with the conjunction "unless." Under the rule, exclusion is mandatory "unless" the court finds that the failure was substantially justified or is harmless. Furthermore, the rule provides for additional or alternative sanctions, including the payment of expenses

or any of the sanctions listed in *Rule 37(b)(2)(A)(i)-(vi)*. [\*6] Consequently, what begins as a mandatory sanctions ends as a sanction that must be imposed unless the court finds that the failure was substantially justified or was harmless or unless the court chooses to impose an alternative sanction. In short, *Rule 37(c)(1)* bears all the hallmarks of a committee-made project, with something for everyone.

Courts attempting to apply these seemingly inconsistent provisions have determined that the sanctions of exclusion is "automatic and mandatory" unless the offending party can show that its violation was either justified or harmless. *See, e.g., David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir. 2003). This places the burden of avoiding automatic sanctions squarely on the party who failed to make a proper disclosure. *See Roberts ex rel. Johnson v. Galen of Virginia, Inc.*, 325 F.3d 776, 782 (6th Cir. 2003). Moreover, despite the mandatory language of the rule, the appellate courts continue to insist that the matter falls within the sound discretion of the trial court. *Id.*; *accord Design Strategy, Inc. v. Davis*, 469 F.3d 284, 297 (2d Cir. 2006) (preclusion remains discretionary, even where nondisclosing party has not met its burden to show that [\*7] violation was justified or harmless).

On the present record, I conclude that plaintiffs have met their burden of showing that their failure to include Horton's name in their *Rule 26(a)(1)* disclosure is harmless. In determining whether a nondisclosure is harmless, courts look at a number of factors, but the principal factor is whether the opponent will be prejudiced or surprised. *See, e.g., David v. Caterpillar, Inc.*, 324 F.3d at 857. In light of the central role of the discovery rules in eliminating surprise in civil matters, the extreme sanction of preclusion is simply not warranted when the importance of the additional witness was already known to the opponent. *See, e.g., Gutierrez v. AT&T Broadband, LLC*, 382 F.3d 725, 732-33 (7th Cir. 2004); *Newman v. GHS Osteopathic, Inc.*, 60 F.3d 153, 156 (3d Cir. 1995). The seeds of this attitude are found in the commentary to *Rule 37(c)* itself. The Advisory Committee's comments identify, among other circumstances indicating that a failure would be harmless, the situation in which a party omits disclosure of a name "of a potential witness known to all parties," or omits "to list as a trial witness a person so listed by another party." *FED. R. CIV. P. 37(c)*, [\*8] advisory committee notes, 1993 amends. Along the same lines, the supplementation

provisions of *Rule 26*, which require updating of a *Rule 26(a)(1)* disclosure throughout the life of a case, contain an exemption for information that has otherwise been made known to the opposing party during the discovery process. *FED. R. CIV. P. 26(e)(1)(A)*. These provisions make it clear that a party will not be allowed to insist on exclusion of a witness whose relevance the party was already aware of, especially when that party has itself recognized the witness's importance by including him in the party's own *Rule 26(a)* disclosure.

Defendant argues that a finding of harmless arising from the opponent's previous awareness of a witness was justifiable under the 1993 version of the rule, but is no longer valid after the amendments in 2000. The 1993 version of the rule required disclosure of all individuals "likely to have discoverable information," whether or not that information helped or hurt the disclosing party. After seven years of experimentation and experience under the 1993 rule, the Supreme Court narrowed its scope in the year 2000. By reason of the 2000 amendment, a party is obliged to disclose [\*9] individuals "likely to have discoverable information" but only if the disclosing party may use that individual "to support its claims or defenses." Defendant argues, with support from some unpublished decisions from several district courts, that the effect of this change is to force a party to commit in its *Rule 26(a)(1)* disclosures to the possible use of the person at trial. Therefore, the argument goes, the dual function of *Rule 26(a)(1)* disclosures after 2000 is to inform the opponent not only of the witness's existence but also of the party's intent to call the person as a witness. *See, e.g., Coles v. Perry, No. 01-732*, 2002 U.S. Dist. LEXIS 10110, 2002 WL 1263979, at \* 1 (D.D.C. June 7, 2002) ("The significant difference is that now the party is obligated to make the explicit representation that it is likely that she may rely on the potential testimony of the individual named."). Consequently, defendant asserts that the suggestion in the 1993 Advisory Committee Note that a failure to disclose is harmless if the identity of the witness was already known to the opponent, while cogent in 1993, is no longer valid. According to defendant and these courts, the opponent's knowledge of the existence of the witness [\*10] cannot excuse a failure to disclose. Rather, exclusion is required unless the party has actually informed the opponent "that it might call the witness in support of its claims or defenses." *Pal v. New York Univ., No. 06Civ5892*, 2008 U.S. Dist. LEXIS 52620, 2008 WL 2627614, at \* 4 (S.D.N.Y. July 10, 2008).

This rigid view of the effect of the 2000 amendments is not persuasive, as it reads the rule in a vacuum. First, the disclosures required by *Rule 26(a)(1)* are expressly "initial" disclosures, not witness lists for trial. For that reason, this court routinely requires initial disclosures very early in the case, often within thirty days of the Rule 16 conference. It is unreasonable to read *Rule 26(a)(1)* as requiring some sort of commitment that the party will, or even might, call the person at trial; that is the function of the "Pretrial Disclosure" of witnesses required by *Fed. R. Civ. P. 26(a)(3)*. The distinct purpose of the initial disclosure is to alert the opponent to the existence of a witness whose testimony may be helpful to the disclosing party. Far from seeking to impose a more rigorous disclosure burden on parties, the 2000 amendments were designed to "narrow" the scope of the disclosure obligation. *FED. R. CIV. P. 26*, [\*11] advisory committee's notes, 2000 amends. Under the 1993 version of the rule, a party was obliged to disclose all individuals likely to have discoverable knowledge. In 2000, that obligation was narrowed to include only witnesses that the disclosing party deemed useful to its case, and relieve the party of disclosing harmful witnesses or information. See 8 CHARLES ALAN WRIGHT, ARTHUR R. MILLER, RICHARD L. MARCUS, FEDERAL PRACTICE & PROCEDURE § 2053 (Supp. 2009). Even after the 2000 amendments, courts continue to observe that the purpose of *Rule 26(a)(1)* initial disclosures "is to give the opposing party information as to the identification and location of persons with knowledge, so that they can be contacted in connection with the litigation. . . ." *Biltrite Corp. v. World Road Markings, Inc.*, 202 F.R.D. 359, 362 (D. Mass. 2001). This, and not identification of testifying witnesses at trial, continues to be the function of initial disclosures. Defendant, and some of the cases it relies on, confuse these distinct functions.

Defendant's reading of *Rule 26(a)(1)* also tends to repeal the exception for harmless failure to disclose contained in *Rule 37(c)(1)*. According to defendant, the ironclad [\*12] obligation created by the rule is that a party unambiguously commit to possible use of a witness in support of its case, no matter how obvious the witness's importance might otherwise be. Even in situations such as the present one, in which the objecting party has itself disclosed the witness, that party can exclude the same witness's testimony at trial, not on the ground that the witness's testimony is a surprise, but on the ground that the opponent's intention to use the same

witness is a surprise. This appears to foster the very gamesmanship that the rules were designed to avoid. Under defendant's reading of the rule, the only way to prevent preclusion is to comply with the disclosure requirement, without exception. Significantly, the commentary to the 2000 amendments to *Rule 37* does not state or imply that the harmless analysis set forth in the 1993 commentary, specifically referring to witnesses disclosed by the other party, was no longer valid in light of the 2000 amendments.

The weight of authority does not support this inflexible approach. Many of the cases cited by defendant itself recognize that prejudice to the objecting party remains the hallmark of the harmless [\*13] analysis. For example, in *Troykna v. Cleveland Chiropractic Clinic*, 280 F.3d 1200 (8th Cir. 2002), the court affirmed exclusion of undisclosed witnesses whose names had "been identified or referenced somewhere in the course of discovery." 280 F.3d at 1205. The court agreed that use of the witnesses would have been prejudicial on the ground of "unfair surprise" to the plaintiff. *Id.* Significantly, these witnesses did not appear on the plaintiff's own witness list, and it is doubtful that the court could or would have found unfair surprise if they had. Likewise, in *Lyman v. St. Jude Med. S.C., Inc.*, 580 F. Supp. 2d 719 (E.D. Wis. 2008) (also cited by defendant), the court excluded undisclosed witnesses even though their names "surfaced" during the course of discovery. 580 F. Supp. 2d at 729. There is a vast difference between witnesses whose names were "referenced" or "surfaced" during discovery and those whose importance is so apparent that the objecting party itself discloses them.

The crucial inquiry, therefore, is whether the nondisclosure is harmless on the one hand or prejudicial on the other. This is a factual inquiry, to be made on the basis of the circumstances of the case, not [\*14] bright-line rules of exclusion. In arguing strenuously against Horton's deposition, defendant emphasizes that Horton's centrality to the facts of the case was patently obvious to plaintiffs. "Horton has been known to plaintiffs for years. He dealt with plaintiffs from the moment they negotiated and executed their lease transactions with Cyberco, and even signed the contract documents plaintiffs attached to their complaint. Plaintiffs further specifically referenced his conviction for crimes of dishonesty in their complaint." (Def. Brief, docket # 503, at 5-6) (citations to record omitted). In so

trial may not amend their Invalidity Contentions to include this combination.

*3. The CF-420 and the Barnes Patent*

Defendants seek leave to amend their Invalidity Contentions to assert the CF-420 in combination with the Barnes Patent because they asserted "very similar prior art combinations." Doc. # 89 at 14. As discussed above, this does not place Plaintiff on notice or provide "good cause" and Defendants may not amend their Invalidity Contentions to include this combination or assert it at trial.

IT IS THEREFORE ORDERED that Plaintiff's Motion to Limit Defendants' Invalidity Position [Doc. # 82] is **GRANTED IN PART**. At trial, Defendants SBM Co, Ltd. and Amro-Asian Trade, Inc. may (1) argue that the JetScan 4062 anticipates Claims 41 and 55 of the '354 Patent; and (2) use the JetScan 4061 Operating Instructions to support the invalidity of Claim 15 of the '503 Patent.

IT IS FURTHER ORDERED that, at trial, Defendants SBM Co, Ltd. and Amro-Asian Trade, Inc. may not (1) use the combination of the CF-400, CF-401, and DLR 3000 User Guide to support obviousness [\*21] of any asserted claim of the '806 Patent; (2) assert at trial that the CF-420 anticipates any asserted claim of the '806 Patent;

(3) assert at trial that *U.S. Patent No. 4,628,194*

anticipates Claims 41, 55 and 68 of the '354 Patent; (4) use the CF-420 Operator's Manual and *U.S. Patent No. 4,542,829* to support obviousness of Claim 68 of the '354 Patent; (5) use the JetScan 4061 and *U.S. Patent No. 4,628,194* to support obviousness of any asserted claim of the '354 Patent;

(6) use the *U.S. Patent No. 4,875,589* and the DLR 3110 Technical Manual to support obviousness of Claim 15 of the '503 Patent;

(7) use the combination of CF-420 Operator's Manual, *U.S. Patent No. 5,358,088*, and the DLR 3000 User Guide to support the obviousness of Claims 37 and 39 of the '456 Patent; (8) use the combination of CF-420 Operator's Manual, *U.S. Patent No. 5,358,088*, and *U.S. Patent No. 4,694,963* to support the obviousness of Claims 25, 27, 42 and 43 of the '806 Patent; or (9) use the combination of the CF-420 and *U.S. Patent No. 5,358,088* to support obviousness of any asserted claim of the '456 Patent.

IT IS FURTHER ORDERED that Defendants' Motion to Amend their Invalidity Contentions [Doc. # 89] is **DENIED**.

So [\*22] **ORDERED** and **SIGNED** this **19** day of **March, 2009**.

/s/ Ron Clark

Ron Clark, United States District Judge



arguing, defendant makes it just as plain that Horton's connection to the case was patently obvious to defendant as well. Defendant's own listing of Horton reinforces this conclusion. Furthermore, defendant cannot be surprised by the substance of Horton's testimony, because defendant has had the benefit of two *Bankruptcy Rule 2004* examinations of Horton under oath in the Cyberco bankruptcy proceedings.

In the circumstances of this case, where Horton's role in the case as a person with discoverable information was obvious to defendant at the outset and where defendant itself listed Horton in [\*15] its *Rule 26(a)(1)* disclosure, the court can confidently conclude that plaintiffs' nondisclosure of Horton was harmless. The mandatory preclusion of *Rule 37(c)(1)* is therefore not applicable.

## 2.

Defendant further argues that the deposition of Horton should not be allowed because discovery has closed, plaintiffs have taken their maximum allotted number of depositions, and plaintiffs have not shown good cause for modifying the case management order as required by *Rule 16(b)*. If plaintiffs were seeking a discovery deposition of Mr. Horton, this argument would be well taken. Plaintiffs, however, seek to preserve Horton's testimony for trial. Defendant correctly points out that the Rules of Civil Procedure do not specifically differentiate between discovery depositions and evidence depositions. The universal and longstanding practice in this court (and most other trial courts), however, has recognized this common-sense distinction. See *Burket v. Hyman-Lippitt, P.C., Nos. 05-72110, 05-72171, 05-72221, 2008 U.S. Dist. LEXIS 30088, 2008 WL 1741875, at \* 3 (E.D. Mich. Apr. 11, 2008)* (close of discovery did not preclude taking of *de bene esse* depositions). The simple fact, known to all trial practitioners, is that witnesses [\*16] often become unavailable for trial, whether because of distance or conflicting schedules (as with testifying physicians). In such circumstances, *de bene esse* depositions taken shortly before trial are commonplace and are properly understood as part of the trial proceedings, not discovery.

It is not surprising that defendant has found some courts espousing a different view. Apparently, in the Southern District of New York, *de bene esse* depositions must be taken by the close of discovery. See *George v. Ford Motor Co., No. 03Civ7643, 2007 U.S. Dist. LEXIS 61453, 2007 WL 2398806, at \* 12 (S.D.N.Y. Aug. 17, 2007)*. Whatever the practice may be in Manhattan, the longstanding approach in Western Michigan is to allow *de bene esse* depositions shortly before trial if there is a good reason preventing live appearance of a witness at trial. The court always has the authority to prevent abuse of the *de bene esse* procedure by a litigant, but no such abuse appears here.

In the present case, if the court acceded to defendant's argument, plaintiffs would still have the opportunity to present Horton's testimony at trial, through the expensive and cumbersome process of seeking a writ of habeas corpus *ad testificandum*. This would require [\*17] transportation of Horton in custody from his place of incarceration in Wisconsin to this court, with all of the attendant costs and security concerns that such a process entails. A *de bene esse* deposition, taken at the place of incarceration, is safer and much less expensive to the parties and is a superior alternative in every way. To prevent any possible abuse of the *de bene esse* deposition process, the order allowing the deposition will provide that it can only be used for purposes of trial and not in connection with any pretrial motion, including motions for summary judgment.

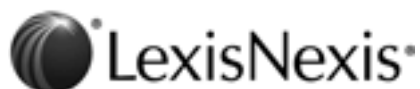
## Conclusion

For the foregoing reasons, plaintiffs will be granted leave to depose James Michael Horton pursuant to *Fed. R. Civ. P. 30(a)(2)(B)*.

Dated: April 30, 2009

/s/ Joseph G. Scoville

United States Magistrate Judge



LEXSEE 2005 U.S. DIST. LEXIS 44792

**GARY ERNESTO HINES, JR., Plaintiff, v. KASSEEM DEAN, et al., Defendants.**

**CIVIL ACTION 1:02-cv-3390-MHS**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
GEORGIA, ATLANTA DIVISION**

*2005 U.S. Dist. LEXIS 44792*

**March 10, 2005, Decided**

**March 10, 2005, Filed**

**COUNSEL:** [\*1] For Gary Ernesto Hines, Jr., an Individual Clarke & Anderson, Plaintiff: Alan Stuckey Clarke, LEAD ATTORNEY, Atlanta, GA.; James Scott Anderson, LEAD ATTORNEY, J.S. Anderson P.C., Atlanta, GA.; Tanya Mitchell Graham, LEAD ATTORNEY, The Law Office of Tanya Mitchell Graham, Stone Mountain, GA.

For Kasseem Dean, formerly known Swizz Beatz, Kim S. King, an Individual, Ruff Ryders Entertainment, Swizz Beatz Publishing, Inc., a Georgia Corporation, Defendants: Charles Matthew Smith, LEAD ATTORNEY, The Weathington Firm, P.C., Atlanta, GA.; James H. Cox, III, LEAD ATTORNEY, Carlton Fields, PA - Atlanta, Atlanta, GA.

For Universal Music and Video Distribution, Inc., a Delaware Corporation, Interscope Records, Inc., a Corporation, SKG Music, LLC, Dreamworks Records, Inc., a Corporation, Defendants: Michael D. Grider, LEAD ATTORNEY, Paul Hastings Janofsky & Walker LLP, Atlanta, GA.; Ronald Thomas Coleman, Jr., LEAD ATTORNEY, Parker Hudson Rainer & Dobbs, Atlanta, GA.

**JUDGES:** Marvin H. Shoob, Senior Judge.

**OPINION BY:** Marvin H. Shoob

**OPINION**

## **ORDER**

This action is before the Court on defendants' motions for summary judgment. For the following reasons, the Court grants the motions and dismisses [\*2] this action.

### Background

On December 18, 1998, plaintiff Gary Ernesto Hines, Jr., a music producer and professional musician, entered into an Agency Agreement (Agreement) with defendant Kim S. King pursuant to which King agreed to try to find employment for Hines in the areas of "music production, music composition, songwriting, engineering, remix production, or as a bassist." Agreement P 1. The Agreement was for a term of four years but provided that it would become "null and void" if King failed to find employment for Hines within six months. Agreement 7.

After the Agreement was signed, Hines gave King a cassette tape containing a compilation of musical works he had either produced or written. Shortly thereafter, Hines registered the works with the U.S. Copyright Office. Included in the compilation was a track entitled "One on One" and another entitled "Love Like This--Faith Evans Remix."

In January or February of 1999, King informed Hines that she was going to have to focus her attention on assisting the music career of her son, defendant Kasseem Dean p/k/a "Swizz Beatz," a producer of rap and hip-hop

music. King told Hines to "hang in there, . . . I am going to get back [\*3] with you." (Hines Dep. at 121.) However, Hines did not hear from King again.

Some time thereafter, Hines heard a song on the radio entitled "What Y'all Want," which he believed sounded very similar to his music on his remix of "Love Like This." Hines also saw a music video on television of a song entitled "Guilty," which Hines believed was similar to portions of his music on the song "One on One."

The song "What Y'all Want" was produced by Dean and performed by defendant Eve Jeffers. It appears on an album entitled *Ruff Ryders, Ryde or Die Vol. I*, which was released by defendants Ruff Ryders Entertainment, Inc. (Ruff Ryders), and Interscope Records, Inc. (Interscope), and distributed through defendant Universal Music & Video Distribution, Inc. (UMVD).

The song "Guilty" appears on an album entitled *Swizz Beatz Presents Ghetto Stories*, which was released by defendants SKG Music, LLC (SKG), and Dreamworks Records, Inc. (Dreamworks), and distributed through UMVD. Dean rapped lyrics on "Guilty," which was produced by defendant Jason Brown.

Hines attempted to contact King and Dean about the two songs he had heard and their alleged similarity to music on his compilation tape, [\*4] but they did not return his calls. On December 17, 2002, Hines filed this action against King, Dean, and Ruff Ryders asserting claims for copyright infringement, fraud in the inducement of the Agreement, breach of the Agreement, fraud, conversion, conspiracy, breach of fiduciary duty, and violations of the Georgia Racketeer Influenced and Corrupt Organizations (RICO) Act. Hines subsequently filed an amended complaint adding a number of defendants to the copyright infringement claims, including Dean's publishing company, Swizz Beatz Publishing, Inc. (Swizz Beatz Publishing), Dreamworks, SKG, UMVD, and Interscope.<sup>1</sup>

<sup>1</sup> In addition to these defendants, Hines also sued the following defendants for alleged copyright infringement: Eve Jeffers; Blondie Rockwell Publishing; Dead Game Publishing, Inc.; Rodney Price p/k/a "Bounty Killer"; Jason Brown; Jason Brown Publishing; Darrin Dean; and Ryde or Die Publishing. Except for Jason

Brown and Jason Brown Publishing, none of these defendants has either been served or waived service, and none has entered an appearance in this action. Since the Court concludes that plaintiff's copyright infringement claims must fail as a matter of law, the claims against these defendants, as well as the answering defendants, will be dismissed.

[\*5] At the joint request of the parties, the Court bifurcated discovery as to liability and damages and required the parties to file any dispositive motions as to liability following completion of that phase of discovery. Following completion of liability discovery, defendants King, Dean, Swizz Beatz Publishing, and Ruff Ryders and defendants Dreamworks, SKG, UMVD, and Interscope filed separate motions for summary judgment.

#### Summary Judgment Standard

Under *Rule 56(c) of the Federal Rules of Civil Procedure*, summary judgment is appropriate when "there is no genuine issue as to any material fact . . . and the moving party is entitled to judgment as a matter of law." In *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986), the Supreme Court held that this burden could be met if the moving party demonstrates that there is "an absence of evidence to support the non-moving party's case." *Id.* at 325. At that point, the burden shifts to the non-moving party to go beyond the pleadings and present specific evidence giving rise to a triable issue. *Id.* at 324.

In reviewing a motion for summary judgment, the Court must construe the evidence and [\*6] all inferences drawn from the evidence in the light most favorable to the non-moving party. *WSB-TV v. Lee*, 842 F.2d 1266, 1270 (11th Cir. 1988). Nevertheless, "the mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986) (emphasis in original).

#### Discussion

##### I. Copyright Infringement

Defendants contend that plaintiff's claims for copyright infringement fail because there is no substantial

similarity between the works in question. In support of their argument, defendants rely on the report of Anthony Ricigliano, an expert musicologist, as well as plaintiff's own admissions of dissimilarities between the songs. In response, plaintiff argues that the Court should not consider the Ricigliano report because defendants did not timely identify Mr. Ricigliano as an expert. Plaintiff also relies on his own testimony and the testimony of his attorney that the works in question are substantially similar.

The Court concludes [\*7] that defendants are entitled to summary judgment on plaintiff's copyright infringement claims because they have presented unrefuted expert testimony that there is no substantial similarity of protectable musical expression between plaintiff's works and the allegedly infringing songs. See *Ferguson v. Nat'l Broad. Co.*, 584 F.2d 111, 114 (5th Cir. 1978)(uncontroverted expert testimony demonstrating lack of similarity warrants summary judgment). The report of Anthony Ricigliano, an expert musicologist, conclusively establishes that defendants have not infringed plaintiff's copyrights. Plaintiff has presented no contrary expert evidence. Instead, he merely argues that the Court should not consider Mr. Ricigliano's report because it was untimely under Local Rule 26.2(C). This argument is without merit.

Local Rule 26.2(C) provides in pertinent part as follows:

Any party who desires to use the testimony of an expert witness shall designate the expert sufficiently early in the discovery period to permit the opposing party the opportunity to depose the expert and, if desired, to name its own expert witness sufficiently in advance of the close of discovery so that a similar [\*8] discovery deposition of the second expert might also be conducted prior to the close of discovery.

Any party who does not comply with the provisions of the foregoing paragraph shall not be permitted to offer the testimony of the party's expert, unless expressly authorized by court order based upon a showing that the failure to comply was justified.

Plaintiff argues that defendants violated this rule because they did not submit Mr. Ricigliano's report until the last day of the liability discovery period. However, the record shows that the Ricigliano report could not have been prepared earlier because plaintiff failed to timely disclose his infringement contentions, waiting until just three weeks before liability discovery closed to provide defendants this crucial information. In addition, plaintiff was not unfairly prejudiced by the timing of Mr. Ricigliano's disclosure, because defendants offered plaintiff the opportunity to depose Mr. Ricigliano after the close of discovery, but he declined.

As for having the opportunity to retain his own expert, it must be noted that plaintiff, not defendants, has the burden of proof on all the issues addressed in Mr. Ricigliano's report [\*9] and therefore should have been the one to disclose his expert testimony before defendants. See *Fed. R. Civ. P. 26(a)(2)*, Advisory Committee Notes to 1993 Amendments ("[I]n most cases the party with the burden of proof on an issue should disclose its expert testimony on that issue before other parties are required to make their disclosures with respect to that issue"). Plaintiff had more than eighteen months from the time he filed his complaint until the close of liability discovery to obtain his own expert report to help him prove substantial similarity, an issue on which he had the burden of proof, but he apparently made no effort to do so. Under these circumstances, plaintiff is not entitled to exclude Mr. Ricigliano's report.

Finally, even apart from Mr. Ricigliano's report, plaintiff's own testimony establishes the lack of substantial similarity. The only portion of plaintiff's composition "One on One" that he contends is infringed by defendants' work "Guilty" is the "main drum loop." (Plaintiff's Interrogatory Response No. 5.) Yet, plaintiff testified that this portion of "One on One" consists merely of two short beats close together followed by a rest or pause. (Hines [\*10] Dep. at 254-55, 261-64.) Plaintiff admits that the melodies and the "hooks" of the two songs?the portions he considers the most crucial to the popularity of the work?are different. (Hines Dep. at 186-91, 262.) Plaintiff offers no explanation of how an average listener would conclude that "Guilty" was copied from "One on One." He admits that his brief rhythm pattern is not melodic, that the pitch of the drum beats in the two works is different, and that the key recognizable parts of the work?the melody and the "hooks"? are

different.

In the face of these admissions of dissimilarity, plaintiff offers only the affidavit of his own attorney, Judith Fitzgerald. Ms. Fitzgerald states that after seeing a music video of "Guilty" on television, she "immediately recognized similarities between portions of the music in "Guilty" and portions of Mr. Hines work contained on the cassette given to Ms. King." (Fitzgerald Aff. P 9.) This conclusory statement is not sufficient to create a genuine issue for trial. First, Ms. Fitzgerald does not purport to be an expert in this area. Second, she does not describe what parts of the two works are allegedly similar, much less how they are similar. Third, [\*11] she does not state that the alleged similarities are "substantial," as required by copyright law. Moreover, she does not attempt to distinguish between protectable and unprotectable musical expression in plaintiff's work. Therefore, her testimony cannot create a disputed issue of fact.

Plaintiff's admissions regarding the dissimilarities between his work "Love Like This" and defendants' work "What Y'all Want" are also significant and conclusive. First, plaintiff admitted that he could not identify any similarities between the two works when he first heard the song "What Y'all Want." His nephew had to explain to him how the works were allegedly similar, and plaintiff then had to listen to "What Y'all Want" repeatedly before he recognized the alleged "reversed" Latin melody. (Hines Dep. at 140-41.) In light of this evidence, no reasonable juror could find substantial similarity here.

When asked at his deposition to analyze his work and the allegedly infringing work, plaintiff admitted that the "Latin melody" portions of the two songs are different because plaintiff's work "goes up the scale three notes and then back down" while "What Y'all Want" goes "down the scale three notes and [\*12] then back up." (Hines Dep. at 286.) The pitch sequences do not go in the same order but, in fact, go in "opposite directions." (Id. at 286-87.) The fact that the two songs happen to use some of the same notes in a different order cannot, as a matter of law, establish substantial similarity. This is particularly so given "the limited number of notes and chords available to composers and the resulting fact that unprotectable common themes frequently appear in various compositions, especially popular music." *Tisi v. Patrick*, 97 F. Supp. 2d 539, 548 (S.D. N.Y. 2000)(quoting *Gaste v. Kaiserman*, 863 F.2d 1061, 1068

(2d Cir. 1988)).

Plaintiff attempts to establish substantial similarity by claiming that Gregory Hines, his nephew; and Judith Fitzgerald, his lawyer, heard "similar melodies used in the two works," and thus "a lay observer could well hear the same similarities." (Pl. Br. in Resp. to Defs.' Dreamworks, SKG, UMVD and Interscope's Mot. for Summ. J. at 23.) However, neither of these assessments is sufficient to create a genuine issue for trial. First, Gregory Hines has given neither a deposition nor an affidavit in this case, so there is no [\*13] admissible testimony from him in the record at all. Plaintiff's attempts to testify, whether in his deposition or his affidavit, as to what Gregory Hines told him about alleged similarities constitute inadmissible hearsay. Second, although Ms. Fitzgerald does provide an affidavit, her testimony that "I advised Mr. Hines that I heard similarities between ['What Y'all Want'] and his music on Love Like This" fails to create a genuine issue for trial for all the same reasons discussed above with respect to her assessment of "One on One" and "Guilty." Thus, plaintiff has no evidence of substantial similarity.

## II. State Law Claims

### A. Breach of Contract

Defendant King does not dispute that she failed to make any effort to obtain employment for plaintiff. Instead, she contends that plaintiff either waived his rights under the Agreement, or that she and plaintiff mutually departed from the terms of the Agreement. In support of this argument, defendant King relies on plaintiff's agreement that she could concentrate her efforts on her son's career, and on the absence of any further communication between her and plaintiff until well after the Agreement had automatically terminated [\*14] because of the expiration of six months without her finding any employment for plaintiff. Furthermore, even if she breached the Agreement, defendant King argues, she is still entitled to summary judgment because the undisputed evidence shows that plaintiff suffered no harm from the breach. Defendant argues that the evidence shows plaintiff's career was stagnant before the Agreement was signed and has remained stagnant after the Agreement expired. There is no evidence, defendant argues, that plaintiff lost any opportunities or that any other injury resulted from her alleged breach of the Agreement.

Plaintiff contends that the evidence does not support a finding that he waived his rights under the Agreement or agreed to a mutual departure from its terms. To the contrary, plaintiff argues, the evidence shows that the last time they spoke, defendant King assured plaintiff that she would get back in touch with him after helping her son, and plaintiff relied on that assurance. Plaintiff argues that he was harmed by defendant King's breach of the Agreement because he was precluded from seeking out other assistance in obtaining employment contracts during the four-year term of the Agreement. [\*15] <sup>2</sup>

<sup>2</sup> Plaintiff also argues that the Court should not consider the damages issue at this stage because, pursuant to the parties' joint request, discovery as to damages has been postponed. The Court rejects this argument. Even though the Court has bifurcated liability and damages discovery, plaintiff must still come forward with some evidence of injury arising from defendant King's alleged breach of the Agreement in order to survive summary judgment on the issue of liability.

The Court concludes that there is a factual issue at to whether plaintiff waived his rights under the Agreement or the parties mutually departed from its terms. The evidence that plaintiff agreed that defendant King could first help her son but would then get back in touch with plaintiff is not sufficient by itself to establish that plaintiff voluntarily waived his rights under the Agreement, or that plaintiff agreed that defendant King need not perform her obligations under the Agreement.

Nevertheless, the Court concludes that defendant [\*16] King is entitled to summary judgment on this claim because there is no evidence of any injury arising from the alleged breach. Contrary to plaintiff's argument, since the contract terminated after just six months, plaintiff was not precluded from seeking other assistance in obtaining employment contracts for the full four-year term of the Agreement. Indeed, plaintiff testified that he retained another agent shortly after the six-month period had expired. (Hines Dep. at 149.) Both this agent and

another agent subsequently retained by plaintiff were unsuccessful in obtaining any employment for plaintiff. Thus, there is no evidence that plaintiff lost any employment opportunities because of defendant King's failure to perform her obligations under the Agreement. Where no evidence supports a causal link between the alleged breach and resulting injury, summary judgment is appropriate. *Automated Solutions Enterprises, Inc. v. Clearview Software, Inc.*, 255 Ga. App. 884, 888-89, 567 S.E.2d 335 (2002).

#### B. Other Claims

The remainder of plaintiff's claims—fraud in the inducement, fraud, conversion, conspiracy, breach of fiduciary duty, violations of Georgia RICO, and claims for punitive [\*17] damages and attorney's fees—are all premised on the alleged misappropriation of plaintiff's copyrighted works. Since, as discussed above, there is no evidence to support a finding of any such misappropriation, defendants are entitled to summary judgment on these claims as well.

#### Summary

For the foregoing reasons, the Court GRANTS the motion for summary judgment by defendants Kim S. King; Kasseem Dean; Swizz Beatz Publishing, Inc.; and Ruff Ryders Entertainment, Inc. [# 61-1]; GRANTS the motion for summary judgment by defendants Dreamworks Records, Inc.; SKG Music, LLC; Universal Music & Video Distribution Corp.; and Interscope Records [# 66-1]; and DISMISSES this action in its entirety.

IT IS SO ORDERED, this 10<th> day of March, 005.

Marvin H. Shoob, Senior Judge

United States District Court

Northern District of Georgia



LEXSEE 2007 U.S. DIST. LEXIS 87741

**MidFirst Bank, Plaintiff, v. Isiah N. Davenport, et al., Defendants.**

**Case No. 3:07-CV-405**

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF  
OHIO, WESTERN DIVISION**

*2007 U.S. Dist. LEXIS 87741*

**November 29, 2007, Decided**

**November 29, 2007, Filed**

**COUNSEL:** [\*1] For MidFirst Banky, Plaintiff: Kevin L Williams, LEAD ATTORNEY, Manley Deas Kochalski LLC, Columbus, OH.

For Montgomery County Treasurer, Defendant: Colette S. Carr, Montgomery County Prosecuting Attorney's Office, Dayton, OH.

**JUDGES:** THOMAS M. ROSE, UNITED STATES DISTRICT JUDGE.

**OPINION BY:** THOMAS M. ROSE

**OPINION**

**OPINION AND ORDER**

Now before the Court is a private foreclosure action. The Complaint was filed on October 23, 2007, and a Foreclosure Affidavit was filed on October 31, 2007 (doc. # 5). The Foreclosure Affidavit filed on October 31, 2007 (doc. # 5), was undated and thus invalid. A second Foreclosure Affidavit was filed on November 19, 2007 (doc. # 10). However, the date on this second Foreclosure Affidavit was unintelligible and it was struck. A third Foreclosure Affidavit was filed on November 28, 2007 (doc. # 11). The third Foreclosure Affidavit indicates that it was executed on November 27, 2007. However, the third Foreclosure Affidavit was executed more than a month after the Complaint was filed and, therefore, is not evidence of standing and diversity jurisdiction at the time

the Complaint was filed.

**STANDING AND SUBJECT MATTER  
JURISDICTION**

While the Complaint for foreclosure pleads standing and jurisdiction, [\*2] evidence submitted later in the case indicates that standing and/or diversity jurisdiction may not have existed when the Complaint was filed. Further, this foreclosure Complaint was not filed in compliance with this Court's General Order 07-03 captioned "Procedures for Foreclosure Actions Based On Diversity Jurisdiction.

Standing

Federal courts have only the power authorized by Article III of the United States Constitution and the statutes enacted by Congress pursuant thereto. *Bender v. Williamsport Area School District*, 475 U.S. 534, 541, 106 S. Ct. 1326, 89 L. Ed. 2d 501 (1986). As a result, a plaintiff must have constitutional standing in order for a federal court to have jurisdiction. *Id.*

Plaintiffs have the burden of establishing standing. *Loren v. Blue Cross & Blue Shield of Michigan*, No. 06-2090, 505 F.3d 598, 2007 U.S. App. LEXIS 22408, 2007 WL 2726704 at \*7 (6th Cir. Sept. 20, 2007). If they cannot do so, their claims must be dismissed for lack of subject matter jurisdiction. *Id.* (citing *Central States Southeast & Southwest Areas Health and Welfare Fund v. Merck-Medco Managed Care*, 433 F.3d 181, 199 (2d

*Cir. 2005*)).

Because standing involves the federal court's subject matter jurisdiction, it can be raised sua sponte. *Id.* (citing *Central States*, 433 F.3d at 198). [\*3] Further, standing is determined as of the time the complaint is filed. *Cleveland Branch, NAACP v. City of Parma, Ohio*, 263 F.3d 513, 524 (6th Cir. 2001), cert. denied, 535 U.S. 971, 122 S. Ct. 1438, 152 L. Ed. 2d 382 (2002). Finally, while a determination of standing is generally based upon allegations in the complaint, when standing is questioned, courts may consider evidence thereof. *See NAACP*, 263 F.3d at 523-30; *Senter v. General Motors*, 532 F.2d 511 (6th Cir. 1976), cert. denied, 429 U.S. 870, 97 S. Ct. 182, 50 L. Ed. 2d 150 (1976).

To satisfy Article III's standing requirements, a plaintiff must show: (1) it has suffered an injury in fact that is concrete and particularized and actual or imminent, not conjectural or hypothetical; (2) the injury is fairly traceable to the challenged action of the defendant; and (3) it is likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision. *Loren*, 2007 U.S. App. LEXIS 22408, 2007 WL 2726704 at \*7.

To show standing, then, in a foreclosure action, the plaintiff must show that it is the holder of the note and the mortgage at the time the complaint was filed. The foreclosure plaintiff must also show, at the time the foreclosure action is filed, that the holder of the note and mortgage is harmed, usually [\*4] by not having received payments on the note.

#### Diversity Jurisdiction

In addition to standing, a court may address the issue of subject matter jurisdiction at any time, with or without the issue being raised by a party to the action. *Community Health Plan of Ohio v. Mosser*, 347 F.3d 619, 622 (6th Cir. 2003). Further, as with standing, the plaintiff must show that the federal court has subject matter jurisdiction over the foreclosure action at the time the foreclosure action was filed. *Coyne v. American Tobacco Company*, 183 F.3d 488, 492-93 (6th Cir. 1999). Also as with standing, a federal court is required to assure itself that it has subject matter jurisdiction and the burden is on the plaintiff to show that subject matter jurisdiction existed at the time the complaint was filed. *Id.* Finally, if subject matter jurisdiction is questioned by the court, the plaintiff cannot rely solely upon the allegations in the complaint

and must bring forward relevant, adequate proof that establishes subject matter jurisdiction. *Nelson Construction Co. v. U.S.*, No. 05-1205C, 79 Fed. Cl. 81, 2007 U.S. Claims LEXIS 343, 2007 WL 3299161 at \*3 (Fed. Cl., Oct. 29, 2007) (citing *McNutt v. General Motors Acceptance Corp. of Indiana*, 298 U.S. 178, 56 S. Ct. 780, 80 L. Ed. 1135 (1936)); [\*5] *see also Nichols v. Muskingum College*, 318 F.3d 674, (6th Cir. 2003) ("in reviewing a 12(b)(1) motion, the court may consider evidence outside the pleadings to resolve factual disputes concerning jurisdiction...").

This foreclosure action is brought to federal court based upon the federal court having jurisdiction pursuant to 28 U.S.C. § 1332, termed diversity jurisdiction. To invoke diversity jurisdiction, the plaintiff must show that there is complete diversity of citizenship of the parties and that the amount in controversy exceeds \$ 75,000. 28 U.S.C. § 1332.

#### Conclusion

While the Plaintiff in the above-captioned case has pled that it has standing and that this Court has subject matter jurisdiction, it has submitted evidence that indicates that it may not have had standing at the time the foreclosure Complaint was filed and that subject matter jurisdiction may not have existed when the foreclosure Complaint was filed. Further, this Court has the responsibility to assure itself that the foreclosure Plaintiff has standing and that subject-matter-jurisdiction requirements are met at the time the complaint is filed. Even without the concerns raised by the documents the plaintiffs have filed, [\*6] there is reason to question the existence of standing and the jurisdictional amount. *See Katherine M. Porter, Misbehavior and Mistake in Bankruptcy Mortgage Claims* 3-4 (November 6, 2007), University of Iowa College of Law Legal Studies Research Paper Series Available at SSRN: <http://ssrn.com/abstract-1027961> ("[H]ome mortgage lenders often disobey the law and overreach in calculating the mortgage obligations of consumers. ... Many of the overcharges and unreliable calculations... raise the specter of poor recordkeeping, failure to comply with consumer protection laws, and massive, consistent overcharging.")

Therefore, Plaintiff is given until not later than thirty days following entry of this order to submit evidence showing that it had standing in the above-captioned case **when the complaint was filed** and that this Court had



diversity jurisdiction **when the complaint was filed.** Failure to do so will result in dismissal without prejudice to refiling if and when the plaintiff acquires standing and the diversity jurisdiction requirements are met. *See In re Foreclosure Cases*, No. 1:07CV2282, et al., slip op. (N.D. Ohio Oct. 31, 2007) (Boyko, J.)

### COMPLIANCE WITH GENERAL ORDER 07-03

*Federal Rule of Civil Procedure 83(a)(2)* [\*7] provides that a "local rule imposing a requirement of form shall not be enforced in a manner that causes a party to lose rights because of a nonwillful failure to comply with the requirement." *Fed. R. Civ. P. 83(a)(2)*. The Court recognizes that a local rule concerning what documents are to be filed with a certain type of complaint is a rule of form. *Hicks v. Miller Brewing Company*, 2002 WL 663703 (5th Cir. 2002). However, a party may be denied rights as a sanction if failure to comply with such a local rule is willful. *Id.*

General Order 07-03 provides procedures for foreclosure actions that are based upon diversity jurisdiction. Included in this General Order is a list of items that must accompany the Complaint.<sup>1</sup> Among the items listed are: a Preliminary Judicial Report; a written payment history verified by the plaintiff's affidavit that the amount in controversy exceeds \$ 75,000; a legible copy of the promissory note and any loan modifications, a recorded copy of the mortgage; any applicable assignments of the mortgage, an affidavit documenting that the named plaintiff is the owner and holder of the note and mortgage; and a corporate disclosure statement. In general, it is from these [\*8] items and the foreclosure complaint that the Court can confirm standing and the existence of diversity jurisdiction at the time the foreclosure complaint is filed.

<sup>1</sup> The Court views the statement "the complaint must be accompanied by the following" to mean that the items listed must be filed with the complaint and not at some time later that is more convenient for the plaintiff.

### Conclusion

The Complaint in the above-captioned case was not filed in compliance with General Order 07-03. Further, the attorney who filed the above-captioned case has informed the Court on the record that he knows and can comply with the filing requirements found in General Order 07-03.

Therefore, since the attorney who has filed the above-captioned case based upon diversity jurisdiction is well aware of the requirements of General Order 07-03 and can comply with the General Order's filing requirements, failure in the future by this attorney to comply with the filing requirements of General Order 07-03 may only be considered to be willful. Also, due to the extensive discussions and argument that has taken place, failure to comply with the requirements of the General Order beyond the filing requirements by this [\*9] attorney may also be considered to be willful.

A willful failure to comply with General Order 07-03 in the future by the attorney who filed the above-captioned case may result in immediate dismissal of the foreclosure action. Further, the attorney who filed the above-captioned case is hereby again<sup>2</sup> put on notice that failure to comply with General Order 07-03 in the future may result in immediate dismissal of the foreclosure action.

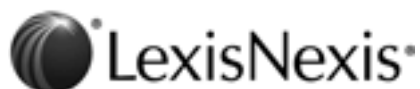
<sup>2</sup> This Court recently entered an Order similar to this Order in nineteen private foreclosure actions filed by this attorney.

**DONE and ORDERED** in Dayton, Ohio, this Twenty-Ninth day of November, 2007.

**s/Thomas M. Rose**

THOMAS M. ROSE

UNITED STATES DISTRICT JUDGE



LEXSEE 2008 U.S. DIST. LEXIS 42878

**ORGLER HOMES, INC. and DAVID ORGLER, Plaintiffs, vs. CHICAGO REGIONAL COUNCIL OF CARPENTERS, UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA AND LOCAL UNION NO. 2087 OF THE UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA, Defendants.**

**Case No. 06 C 50097**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, WESTERN DIVISION**

*2008 U.S. Dist. LEXIS 42878*

**May 30, 2008, Decided**

**May 30, 2008, Filed**

**SUBSEQUENT HISTORY:** Costs and fees proceeding at *Orgler Homes, Inc. v. Chi. Reg'l Council of Carpenters*, 2008 U.S. Dist. LEXIS 96113 (N.D. Ill., Nov. 24, 2008)

**PRIOR HISTORY:** *Orgler Homes, Inc. v. Chi. Reg'l Council of Carpenters*, 2008 U.S. Dist. LEXIS 106585 (N.D. Ill., Mar. 6, 2008)

**COUNSEL:** [\*1] For Orgler Homes Inc., David Orgler, Plaintiffs: Gerard C. Smetana, LEAD ATTORNEY, Law Offices of Gerard C. Smetana, Chicago, IL; Jeffrey P. Orduno, McGreevy Williams, P.C., Rockford, IL; Michael E. Avakian, Smetana & Avakian, Springfield, VA.

For Chicago Regional Council of Carpenters, United Brotherhood Carpenters and Joiners of America, Local Union No. 2087 of the United Brotherhood of Carpenters and Joiners of America, Defendants: Terrance Bryan McGann, LEAD ATTORNEY, Gregory Nathan Freerksen, Karen M Rioux, Travis J. Ketterman, Whitfield McGann & Ketterman, Chicago, IL; Guy Zvi Prihar, Attorney at Law, Granada Hills, CA.

For John Broshar, deponent: Robert Thomas Hanlon, Law Offices of Robert T. Hanlon & Associates, P.C., Woodstock, IL.

For Chicago Regional Council of Carpenters United Brotherhood of Carpenters, Carpenter's Local Union No. 2087, Counter Claimants: Terrance Bryan McGann, LEAD ATTORNEY, Gregory Nathan Freerksen, Whitfield McGann & Ketterman, Chicago, IL; Guy Zvi Prihar, Attorney at Law, Granada Hills, CA.

For Orgler Homes Inc., David Orgler, Counter Defendants: Jeffrey P Orduno, McGreevy Williams, P.C., Rockford, IL.

**JUDGES:** P. MICHAEL MAHONEY, MAGISTRATE JUDGE.

**OPINION BY:** P. MICHAEL MAHONEY [\*2]

**OPINION**

**MEMORANDUM OPINION AND ORDER**

Currently before the court are Plaintiffs' Motion to Strike Defendants' Memorandum in Support of its Motion for Summary Judgment, Defendants' Motion to Bar Evidence Related to Damages, and Defendants' Motion to Strike Plaintiffs' Expert's Report. This opinion addresses each of these motions in turn.

## **I. Plaintiffs' Motion to Strike Defendants' Memorandum in Support of its Motion for Summary Judgment**

Defendants' Motion for Summary Judgment was filed on February 29, 2008. In support of defendants' motion were 66 exhibits, including the declarations of six defense witnesses. Each of these witnesses had been disclosed throughout the normal course of discovery and had been interviewed by defense counsel. Plaintiffs' counsel elected not to depose any of these six defense witnesses.

In the days immediately preceding the filing of defendants' Motion for Summary Judgment, defense counsel interviewed each of these six defense witnesses for a second time in an effort to secure their declarations, which were then used in support of defendants' Motion for Summary Judgment. In the course of these interviews, certain new evidence was revealed for the first time. [\*3] (Defendants' Response at 3). Specifically, the newly revealed evidence consisted of the following: ten pages of notes taken by two of the defense witnesses, an additional list of persons who received picket remuneration, letters sent to Hogan Roofing and Harrison Carpentry from the Carpenters Union, a letter sent to Karen Rioux from the NLRB regarding Orgler's withdrawal of his unfair labor practice charges, and two DVDs portraying "taints" to the reserve gates as well as the signs used by the Union. (Defendant's Response at 5).

Defense counsel immediately disclosed this newly revealed evidence to opposing counsel and supplemented its answers to plaintiffs' interrogatories pursuant to *Rule 26(e)*. Defendants characterize their supplementation as follows:

1. The Supplemental Answers to Plaintiffs Interrogatories added the names of Daniel McMahon and Joel Pagose as persons who were consulted in answering the interrogatories.

2. The Supplemental Answers to Plaintiffs Interrogatories add a conversation between Organizer Matt Swanson and an unnamed carpenter working at the Railway Estates project in January 2006 during which the carpenter responded that he was working for Orgler. Defendants [\*4] still do not know the

name or identity of this individual.

3. The Supplemental Answers to Plaintiffs Interrogatories identify supplemental "Picket Remuneration Sheets" which were part of the supplemental document disclosure. These were Picket Remuneration Sheets turned in since Defendants' last production of documents and were in addition to the "Picket Remuneration Sheets" originally supplied.

4. The Supplemental Answers to Plaintiffs' Interrogatories added the statement that, "Based upon the Union's investigation, Daniel McMahon recommended to William Schambach that the Union initiate a campaign against Orgler to protest the payment of substandard wages and benefits."

5. The Supplemental Answers to Plaintiffs' Interrogatories noted an additional website which defines area standard wages.

6. The Supplemental Answers to Plaintiffs' Interrogatories added the statement that "it is common knowledge in the highly competitive residential construction market in Lake and McHenry Counties that those carpentry contractors who are not a party to a collective bargaining agreement almost never pay the prevailing wages and benefits."

(Defendants' Response at 4-5).

Plaintiffs point out that this newly [\*5] discovered evidence had been around since 2006 and that these disclosures and the associated supplementation came well after fact discovery had closed on September 17, 2007. (Plaintiffs' Motion to Strike at 1). Plaintiffs claim that they "have no ability to present evidence to contest or verify the new factual allegations" because fact discovery is closed, leaving them "without the ability to confront the 'evidence.'" (Plaintiff's Motion at 5, 7). In order to level the playing field, plaintiffs insist that the court must dismiss defendants' motion for summary judgment as a sanction for failing to have produced this discovery

sooner.

*Rule 37(c)(1)* states that a party who without substantial justification fails to disclose information required by *Rule 26(e)(1)* is not allowed to use that information as evidence unless such failure is harmless. *Fed.R.Civ.P. 37(c)(1)*. In reviewing whether plaintiffs' failure to disclose was harmless, the court considers the following: (1) the prejudice or surprise to the party against whom the evidence is offered; (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved [\*6] in not disclosing the evidence at an earlier date. *David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir. 2003).

The court finds that the prejudice allegedly inflicted upon plaintiffs has been greatly exaggerated and was capable of being cured. Plaintiffs had the ability to file with the court an affidavit outlining any discovery it perceived as necessary in order to fully respond to the pending Motion for Summary Judgment under *Federal Rule of Civil Procedure 56(f)*. ("If a party opposing the motion [for summary judgment] shows by affidavit that, for specified reasons, it cannot present facts essential to justify its opposition, the court may . . . order . . . other discovery to be undertaken."). If discovery into defendants' supplementation could have aided plaintiffs in demonstrating the existence of a factual dispute, the court could have granted plaintiffs a temporary reprieve from briefing the Motion for Summary Judgment so as to allow for the discovery proposed in their *Rule 56(f)* affidavit. Plaintiffs elected not to file a *Rule 56(f)* affidavit, which suggests that the discovery at issue was not as material as alleged.

Furthermore, it does not appear that defendants' supplementation [\*7] was in bad faith. Although this information could have been solicited from these witnesses before the close of fact discovery, there is no indication that it was. There is also no indication that the defendants withheld this information from the plaintiffs. Rather, it appears that defendants promptly disclosed this information once it was revealed to them.

The court is convinced that defendants' failure to disclose this material at an earlier time was harmless. As such, plaintiffs' Motion to Strike Defendants' Memorandum in Support of its Motion for Summary Judgment is denied.

## **II. Defendants' Motion to Bar Evidence Related to Damages**

Defendants' Motion to Bar Evidence Related to Damages asserts that plaintiffs have repeatedly failed to supplement and/or produce documents in support of their claim for damages despite various production requests, *Local Rule 37.2* consultations, and motions to strike/bar/compel and sanction. Defendants claim to be prejudiced by plaintiffs' failure to supplement and/or produce these documents, many of which have since been relied upon by plaintiffs' expert in drafting plaintiffs' revised expert report. (Defendants' Motion to Bar at 1). Defendants' motion seeks [\*8] to bar plaintiffs' claims for damages entirely, or in the alternative, to bar certain documents relating to damages. (See Defendants' Motion to Bar at 8). Plaintiffs contend that their production has been consistent with their obligations under the Federal Rules of Civil Procedure and that most of what defendants are requesting simply does not exist.

### **1. Evidence Disclosed but not Timely Supplemented:**

Plaintiffs' check registers have not been supplemented since March 16, 2007. Plaintiffs' general ledgers have not been supplemented since October 31, 2007. Plaintiffs' financial statements have not been supplemented since January 16, 2007. Plaintiffs claim that the time for supplementing these records has not yet come since no change in plaintiffs' financial position has taken place since the last supplementation. (Plaintiff's Response at 10). However, defendants are not obligated to take plaintiffs' word for it. The court hereby orders that plaintiffs are to supplement the check registers, general ledgers and financial statements within thirty days.

### **2) Evidence Reportedly Relied Upon by Plaintiffs' Expert Yet Wrongfully Withheld from Defendants**

#### **A. The Purchase Agreement for lot 40**

Plaintiffs [\*9] claim that they have not produced the lot 40 purchase agreement because it could not be located. (Plaintiff's Response in Opposition of Defendants' Motion to Bar at 7). Defendants have located and produced the HUD-1 Statement, which contains information about the closing date and price of Lot 40, as well as the contact information for the purchasers of lot 40.

Defendants point out that the HUD-1 statement fails

to identify the date that the purchase agreement for lot 40 was signed. This date is critical, as plaintiffs have at times elected to calculate their pre-picketing market share and their associated lost volume of sales in a manner which counts a sale as taking place on the date that the purchase agreement was signed, rather than upon the date of the closing.<sup>1</sup> Plaintiffs' expert represents in his report that the purchase agreement for lot 40 was signed *before* the Union began picketing, thereby bolstering plaintiff's pre-picketing market share and exaggerating the loss of market share which purportedly took place once the Union commenced picketing. (*See* Defendants' Reply at 3-4). However, absent a copy of the dated purchase agreement, plaintiffs are unable to identify a single [\*10] piece of documentary evidence in support of plaintiffs' expert's opinion that the lot 40 purchase agreement was signed before the Union began picketing.

<sup>1</sup> Plaintiffs' expert's opinion on damages has relied at times upon the date of closings, at times upon the date of the purchase agreements, and at other times upon the dates that the purchasers orally "committed" to purchasing the homes. This moving target has, quite understandably, led defendants to seek as much information as possible about each of the subject sales so as to be fully equipped to counter plaintiffs' expert's opinion. This subject will be addressed in greater detail below in discussing defendants' Motion to Strike Plaintiff's Expert Report.

The lack of support for plaintiffs' expert's opinion must be explored during the expert's deposition. Barring any discussion of the lot 40 purchase agreement will not resolve the underlying hole in plaintiffs' expert's opinion. Since some other form of evidence may have been relied upon by the expert in arriving at his conclusion about the date of the lot 40 purchase agreement, the court will not strike evidence on this subject at this time.

### **B. The HUD-1 Statements**

The HUD-1 closing [\*11] documents are relied upon by plaintiffs' expert in determining plaintiff's average profit per house sold. Defendants received the HUD-1 statements from plaintiff's expert on the day of his deposition, November 28, 2007. Although these documents were not produced pursuant to defendants' production requests, defendants have since obtained them and do not appear to have suffered any great harm by the delay. Therefore, the court will not bar the HUD-1

statements.

### **C. Deposits Retained by Plaintiff for lot Sales at Railway Estates**

Defendant has struggled to pin down the dates that plaintiffs received deposits on the lots at issue. Although the HUD-1 statements indicate the amount of the deposits, the HUD-1 statements are useless for purposes of identifying the date that the buyers committed to purchase the lots at issue. Plaintiffs insist that information concerning the lot deposits is contained in the financial data, ledgers and bank account records which have been produced. However, defendants claim to have scoured this material in search of the dates that these deposits were tendered, only to come up empty handed. (Defendants Reply at 6).

The court hereby orders plaintiffs to identify the [\*12] date each deposit was tendered by referencing the bates numbered documents in support. In the event plaintiffs cannot identify the date of a particular deposit by reference to the documents, they are to admit as much in writing and indicate with like specificity any other method of identifying the dates of the deposits.

### **D. Evidence of Payments Made to Orgler from Orgler Broshar Development & Evidence of Lot Profits**

Defendants claim that plaintiffs' lot profit analysis is purely speculative and lacking evidentiary support. Plaintiffs insist that evidence of payments made to Orgler from Orgler Broshar Development is contained in the financial information of Orgler Homes, which is already in defendants' possession.

The court hereby orders plaintiffs to identify by bates number each document demonstrating payments made to Orgler from Orgler Broshar Development. In the event plaintiffs cannot identify any such documents, they are to admit as much in writing.

### **E. Evidence of Customer Commitments to Purchase lots Prior to Signing a Purchase Agreement**

Plaintiffs' expert report counts the sale of the three properties purchased by Marvin Halwix in the pre-picketing time frame, despite the fact that [\*13] the purchase agreements for these properties were signed after the Union's picketing had begun. Plaintiffs' expert report recounts a telephone call from Mr. Halwix in

which Halwix "explained that he had committed to the purchase of these three units prior to the beginning of the construction of the model home," which makes the dates of the purchase agreements irrelevant for calculating damages, according to plaintiffs' expert. (Plaintiff's 3/13/08 Expert Report at 3). Defendants want any evidence of customer commitments to purchase other than the purchase agreements barred as a sanction since Halwix was never disclosed as a damage witness, and since plaintiffs' experts' revised report is the first time this conversation with Halwix was disclosed.

The court is extremely skeptical about the utility of an expert opinion which calculates plaintiffs' market share by comparing plaintiffs' sales for a fixed period of time (identified by *either* the dates customers "committed" to purchase or by the dates that customers contracted to purchase), with sales for the same period of time by neighboring developments (which presumably are identified by only by the closing dates). It appears to the court [\*14] as a rather transparent effort to compare apples to oranges. However, as with the lot 40 purchase agreement, the court prefers to allow evidence of customer commitments to purchase (however tenuous that evidence may be) to move forward and be explored during plaintiffs' expert's deposition. Then, once the parties have fully fleshed out the support for plaintiffs' expert's report (or the lack thereof), the report may be the subject of scrutiny under *Daubert* and *Federal Rule of Evidence 702*. However, striking evidence of so-called "commitments" to buy at this stage is simply premature.

#### **F. Accounting Records Regarding the Costs Associated with each of the Sales:**

Plaintiffs claim that the accounting records which have already been produced contain the data necessary to calculate the gross profits on each home. However, defendants insist that they are not in possession of any records which can be used to establish the actual profits per home.

The court hereby orders plaintiffs to identify by bates number each document demonstrating profits per home. In the event plaintiffs cannot identify any such documents, they are to admit as much in writing.

#### **III. Defendants' Motion to Strike Plaintiffs' [\*15] Expert's Report**

On March 6, 2008, this Court entered a

Memorandum Opinion and Order which stated:

Although the court finds that the supplementation of Kleeman's report was justified to the extent that it sought to correct the corrupted data present in plaintiff's original expert report, defendants should not bear the cost for the untimely discovery of plaintiff's expert's mistakes. Plaintiff's expert report and the supplements thereto are hereby stricken, along with defendants' expert report in rebuttal. Plaintiff is to file a new, comprehensive expert report by March 13, 2008. This date will not be extended and plaintiff's counsel is instructed not to use this as an opportunity to amend its damages theory.

(Dkt entry 323). Defendants Motion to Strike claims that plaintiffs' experts' revised report fails to comply with this court's March 6 order in that it presents an unauthorized amendment of plaintiffs' damages theory and fails to abide by numerous requirements of *Fed.R.Civ.P. 26(a)(2)(B)*. (See Defendants' Motion to Strike at 1).

Plaintiffs' revised expert report relies upon new information concerning the allegedly unsolicited phone call from Marvin Halwix, the purchaser of three homes [\*16] in Railway Estates, to plaintiffs' expert. (Memorandum in Support of Defendant's Motion to Strike at 3). Mr. Halwix reportedly informed plaintiffs' expert that Halwix had in fact verbally committed to purchase these three homes prior to actually signing the purchase agreement, effectively shifting these "sales" from the period of time during the Union's picketing to the pre-picketing time frame. *Id.*

However, the effort to shift sales which took place during the Union's picketing into the pre-picketing time frame does not constitute an amended damages theory. It admittedly seeks to recharacterize the data analyzed, but the underlying damages theory remains the same. Therefore, the court will not strike plaintiffs' expert report due to its reliance on the Halwix phone call.

As to the revised report's 26(a)(2)(B) deficiencies, it is clear that the revised expert report is deficient in the following ways: 1) it fails to identify which witness will testify to which opinions; 2) it fails to include the exhibits

which are used in support of the opinions given in the report; 3) it fails to identify the witnesses' qualifications; 4) it fails to include a list of publications authored by the witness [\*17] in the past ten years; 5) it fails to include a list of all other cases which, during the previous four years the witness has testified as an expert at trial or by deposition; and 6) it fails to provide a statement of the compensation to be paid for the study and the testimony in the case. *See Fed.R.Civ.p. 26(a)(2)*.

Although plaintiffs' revised expert report fails to satisfy these requirements of *Rule 26(a)(2)*, the original

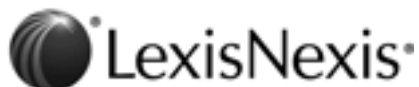
report satisfies each of the rule's requirements, making the amended report's failures in this regard harmless. Defendants' Motion to Strike Plaintiffs' Expert Report is denied.

/s/ P. Michael Mahoney

P. MICHAEL MAHONEY, MAGISTRATE JUDGE

UNITED STATES DISTRICT COURT

DATE: May 30, 2008



LEXSEE 2006 U.S. DIST. LEXIS 48245

**QSI-Fostoria, D.C., LLC, Plaintiff, v. BACM 2001-1 Central Park West, LLC,  
Plaintiff-Intervenor v. General Electric Capital Business Asset Funding  
Corporation, Defendant.**

**Case No. 3:02CV07466**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
OHIO, WESTERN DIVISION**

*2006 U.S. Dist. LEXIS 48245*

**July 17, 2006, Filed**

**SUBSEQUENT HISTORY:** Summary judgment granted, in part, summary judgment denied, in part by, Summary judgment denied by, Summary judgment granted by, Summary judgment denied by *QSI-Fostoria D.C., LLC v. GE Capital Bus. Asset Funding Corp., 2007 U.S. Dist. LEXIS 3416 (N.D. Ohio, Jan. 17, 2007)*

**PRIOR HISTORY:** *QSI-Fostoria D.C., LLC. v. GE Capital Bus. Asset Funding Corp., 2005 U.S. Dist. LEXIS 12728 (N.D. Ohio, June 24, 2005)*

**COUNSEL:** [\*1] For QSI-Fostoria DC, LLC, Plaintiff: James H. O'Doherty, Thomas P. Dillon, Neema M. Bell, Shumaker, Loop & Kendrick, Toledo, OH.

For BACM 2001-1 Central Park West, LLC, Plaintiff: J. Kenneth Thien, Joseph W. Ryan, Jr., Thomas A. Young, Porter, Wright, Morris & Arthur, Columbus, OH.

For General Electric Capital Business Asset Funding Corporation, Defendant: Cary R. Cooper, Christine E. Mayle, Margaret J. Lockhart, Cooper & Walinski, Toledo, OH; Jonathan M. Borg, Pitney, Hardin, Kipp & Szuch, New York, NY.

For General Electric Capital Business Asset Funding Corporation, Counter-Claimant: Cary R. Cooper, Margaret J. Lockhart, Cooper & Walinski, Toledo, OH.

For QSI-Fostoria DC, LLC, Counter-Defendant: James

H. O'Doherty, Thomas P. Dillon, Shumaker, Loop & Kendrick, Toledo, OH.

For BACM 2001-1 Central Park West, LLC, Cross-Claimant: J. Kenneth Thien, Joseph W. Ryan, Jr., Thomas A. Young, Porter, Wright, Morris & Arthur, Columbus, OH.

For QSI-Fostoria DC, LLC, Cross Defendant: James H. O'Doherty, Thomas P. Dillon, Shumaker, Loop & Kendrick, Toledo, OH.

**JUDGES:** James G. Carr, Chief Judge.

**OPINION BY:** James G. Carr

**OPINION**

**ORDER**

This is a trespass action. QSI-Fostoria DC, LLC [\*2] (QSI) originally filed suit against General Electric Capital Business Asset Funding Corporation (GE Capital) for failure to remove equipment from one of its facilities, which QSI had leased to Quality Farm and Fleet (Quality). BACM 2001-1 Central Park West, LLC (BACM), QSI's mortgagee took possession of the building in question through a Deed in Lieu of Foreclosure (Deed in Lieu), and subsequently intervened in this action. Jurisdiction exists under 28 U.S.C. § 1332.



QSI and GE Capital have since settled. Pending is a motion by BACM to compel production of that agreement, which QSI and GE Capital desire be kept confidential. For the following reasons, the motion to compel will be granted.

### Background

In 2000, QSI leased the facility at 130 West Jones Road, Fostoria, Ohio, to Quality for its feed business. Quality in turn leased equipment from GE Capital. In 2001, Quality's business failed and it filed bankruptcy in the Western District of Michigan. Unable to meet its obligations, Quality rejected both the QSI and the GE Capital leases. QSI thereon took control of the building.

In 2002, QSI asked GE Capital to remove its equipment from the building within [\*3] sixty days. GE Capital did not do so for a year and a half and only after had QSI filed suit to force it to do so.

In the interim, QSI had looked for another tenant to lease the building. The presence of GE Capital's equipment, which was large and bulky, and which occupied considerable floor space, made rental to another tenant difficult. Consequently, QSI was unable to find a tenant to rent a significant portion of the facility.

Unable, for all practical purposes, to rent the premises, QSI defaulted in July, 2003, on its mortgage. By then BACM possessed the mortgage. Rather than endure foreclosure proceedings, QSI and BACM agreed to the Deed in Lieu granting BACM legal title to the building. By this time, GE Capital had removed its equipment from the building.

The Deed in Lieu granted BACM all of the "intangible property" QSI used with the building. This provision, in BACM's view, entitled it to QSI's claim for damages against GE Capital, and arising as a result of the delay in removing the equipment. BACM sought leave to be substituted for QSI in the suit.

I overruled BACM's motion to substitute, but allowed it to intervene. BACM has since filed a cross-complaint against QSI alleging [\*4] breach of the Deed in Lieu, fraud, the right to reform the Deed in Lieu, and a security interest in QSI's claims under the mortgage.

In the meantime, QSI and GE Capital have settled.

Their settlement agreement includes a confidentiality clause, preventing either party from disclosing the terms and conditions of settlement. BACM served interrogatories and requests for production on QSI to discover the terms of the settlement agreement. QSI has resisted these discovery efforts.

### Discussion

*Rule 26(b)(1)* allows a party to discover unprivileged information relevant to a claim or defense. BACM contends that the QSI-GE Capital settlement agreement is relevant information with *Rule 26*. QSI responds by asserting a "settlement privilege" and by attacking the relevance of the requested information. Neither objection has merit.

First, the Sixth Circuit recognizes a general "settlement privilege" which protects settlement negotiations from discovery. *Goodyear Tire & Rubber Co. v. Chiles Power Supply, Inc.*, 332 F.3d 976, 980 (6th Cir. 2003). However, this privilege does not extend beyond actual negotiations to the terms of the final agreement. *Grupo Condumex, S.A. de C.V. v. SPX Corp.*, 331 F.Supp.2d 623, 629 (N.D. Ohio 2004). [\*5] QSI, accordingly, may not rely on such purported privilege in these circumstances.

Second, case law specifically permits discovery like that at issue here. The Federal Rules work to eliminate the "sporting theory of justice." *Brown Badgett, Inc. v. Jennings*, 842 F.2d 899, 902 (6th Cir. 1988) (citations omitted). In this instance, I assume, BACM wants to know whether GE Capital paid QSI enough money to justify, on the part of BACM, pursuit of those funds and continuation of this litigation. Not only its interests are at stake: the interest of this court in not having to spend time on litigation that ultimately may prove futile is also affected.

Thus, BACM should be able to learn if it can recover enough money from QSI to justify continuing with its cross-claims. *Wegner v. Cliff Viessman, Inc.*, 153 F.R.D. 154, 161 (N.D. Iowa 1994).

Moreover, the justification for allowing discovery of inadmissible insurance policies is analogous to this situation. In 1970, the Advisory Committee noted that liability insurance policies will be discoverable under *Rule 26(b)(2)*<sup>1</sup> because of the information's "practical significance ... in the decisions lawyers make [\*6] about

settlement and trial preparation." *Fed. R. Civ. P. 26* Advisory Committee's Note.

1 Pertinent liability insurance policies are now mandatory initial disclosures. *Fed.R.Civ.P. 26(a)(1)(D)*.

This justification fits this case. Because QSI defaulted on the mortgage of the building, It makes little sense to put the parties through the hassle, not to say expense, of litigation only to find the dispute involved an insignificant amount. Such disclosure will ensure that both sides have a realistic perception of reality. *Id.*

### **Conclusion**

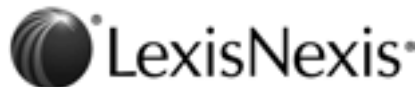
For the foregoing reasons, it is

ORDERED THAT BACM's motion to compel discovery of the QSI-GE Capital settlement agreement be, and hereby is granted.

So ordered.

/s/ James G. Carr

Chief Judge



LEXSEE 2008 U.S. DIST. LEXIS 93717

**THOMAS & MARKER CONSTRUCTION, CO., Plaintiff, -v- WAL-MART STORES, INC., et al., Defendants.**

**Case No. 3:06-cv-406**

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO, WESTERN DIVISION**

*2008 U.S. Dist. LEXIS 93717*

**August 6, 2008, Decided**

**August 6, 2008, Filed**

**SUBSEQUENT HISTORY:** Partial summary judgment granted by, in part, Partial summary judgment denied by, in part *Thomas & Marker Constr., Co. v. Wal-Mart Stores, Inc., 2008 U.S. Dist. LEXIS 79072 (S.D. Ohio, Sept. 15, 2008)*

**COUNSEL:** [\*1] For Thomas & Marker Construction Co, Plaintiff: Terrence G Stolly, LEAD ATTORNEY, John D Bodin, Thompson, Dunlap, Heydinger, et. al, Ltd., Bellefontaine, OH.

For Wal-Mart Stores Inc, Defendant: Andrew R Kwiatkowski, Mark Christian Bissinger, Melissa Lynn Korfhage, LEAD ATTORNEYS, Dinsmore & Shohl -1, Cincinnati, OH; Rand L McClellan, LEAD ATTORNEY, Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH; Sherri Blank Lazear, LEAD ATTORNEY, Baker & Hostetler - 2, Columbus, OH; William A Sherman, II, Dinsmore & Shohl, Cincinnati, OH.

For Wal-Mart Real Estate Business Trust, Defendant: Sherri Blank Lazear, LEAD ATTORNEY, Baker & Hostetler - 2, Columbus, OH; Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH; Mark Christian Bissinger, Dinsmore & Shohl - 1, Cincinnati, OH.

For Jergens Bales Contractors, Inc., Defendant: John Sidney Higgins, Jr, Frost Brown Todd LLC - Cincinnati, OH.

For Stephen T. Metzger, Defendant: William D Hoffman, Clark County Prosecutor - 3, Springfield, OH.

For Wal-Mart Real Estate Business Trust, Defendant: Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH.

For Ohio Farmers Insurance Company, ThirdParty Defendant: Terrence G Stolly, LEAD ATTORNEY, John D [\*2] Bodin, Thompson, Dunlap, Heydinger, et. al, Ltd., Bellefontaine, OH.

For Wal-Mart Stores Inc, Counter Claimant: Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH.

For Thomas & Marker Construction Co, Counter Defendant: John D Bodin, Terrence G Stolly, LEAD ATTORNEYS, Thompson, Dunlap, Heydinger, et. al, Ltd., Bellefontaine, OH.

For Wal-Mart Stores Inc, ThirdParty Plaintiff: Rand L McClellan, LEAD ATTORNEY, Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH; Sherri Blank Lazear, LEAD ATTORNEY, Baker & Hostetler - 2, Columbus, OH.

For Wal-Mart Real Estate Business Trust, ThirdParty Plaintiff: Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH.

For Wal-Mart Stores Inc, Counter Claimant: Rand L McClellan, LEAD ATTORNEY, Joseph Edward Ezzie,

Baker & Hostetler LLP, Columbus, OH; Sherri Blank Lazear, LEAD ATTORNEY, Baker & Hostetler - 2, Columbus, OH.

For Wal-Mart Real Estate Business Trust, Counter Claimant: Joseph Edward Ezzie, Baker & Hostetler LLP, Columbus, OH.

For Thomas & Marker Construction Co, Counter Defendant: Terrence G Stolly, LEAD ATTORNEY, John D Bodin, Thompson, Dunlap Heydinger, et. al, Ltd., Bellefontaine, OH.

**JUDGES:** THOMAS M. ROSE, UNITED STATES DISTRICT JUDGE.

**OPINION BY:** THOMAS M. ROSE [\*3]

## **OPINION**

### **ENTRY AND ORDER GRANTING WAL-MART'S MOTION TO COMPEL PRODUCTION OF THE CONFIDENTIAL SETTLEMENT AGREEMENT AND DISCOVERY DEPOSITIONS (Doc. # 94)**

Now before the Court is a Motion To Compel by Defendant Wal-Mart Stores, Inc. ("Wal-Mart"). (Doc. # 94.) Wal-Mart seeks to compel Plaintiff Thomas & Marker Construction Co. ("Thomas & Marker") to produce its confidential settlement agreement (the "Agreement") with Jergens Bales Contractors, Inc. ("Jergens-Bales") and to produce for a discovery deposition the signatories to the Agreement. Wal-Mart's Motion To Compel is made pursuant to *Fed. R. Civ. P.* 37.

## **PROCEDURAL BACKGROUND**

Thomas & Marker's original Complaint was filed on November 17, 2006, in the Court of Common Pleas of Clark County, Ohio. Therein Thomas & Marker alleges various causes of action primarily arising out of rock excavation expenses allegedly incurred during construction of a Wal-Mart Supercenter in Springfield, Ohio.

Thomas & Marker's original Complaint was subsequently removed to this Court. Wal-Mart then answered and asserted a counterclaim for the negligent installation of a water line at the Supercenter.

In February of 2007, Wal-Mart propounded on Thomas & Marker its [\*4] First Set of Interrogatories and Requests for Production of Documents. Therein, Wal-Mart asked Thomas & Marker to produce all documents related to the subcontractors who performed excavation work on the Supercenter project, all correspondence between Jergens Bales and Thomas & Marker relating to the Supercenter project and, to the extent not already requested, any and all documents relating or referring to the Supercenter project. At that time, Wal-Mart accepted Thomas & Marker's project file in lieu of Thomas & Marker responding to the discovery request after Thomas & Marker raised concerns regarding the broad scope of several document requests.

On April 26, 2007, Thomas & Marker filed its First Amended Complaint. Therein, in addition to the claims against Wal-Mart, Thomas & Marker claims that Jergens Bales breached its contract with Thomas & Marker when it failed to complete the water line installation in accordance with the Contract Documents and when it "coerced" Thomas & Marker into accepting from and paying to Jergens Bales change orders for rock excavation on the Supercenter site. Thomas & Marker's First Amended Complaint also adds a claim for enforcement of a mechanics lien. [\*5] Wal-Mart's Answer includes a counterclaim against Thomas & Marker for negligent installation of a waterline on the Supercenter project.

In April of 2008, following the close of discovery, Thomas and Marker entered into the Agreement with Jergens Bales. Thomas & Marker argues that the terms of the Agreement relate solely to the claims and defenses asserted by the signatories to the underlying subcontract.

On May 30, 2008, Wal-Mart raised an issue regarding this Court's lack of subject matter jurisdiction stemming from the addition of non-diverse parties when Thomas & Marker's First Amended Complaint was filed. The non-diverse parties were Jergens Bales and the Clark County Treasurer.

In response, Thomas & Marker attempted to get a stipulated dismissal of Jergens Bales. Thomas & Marker informed Wal-Mart that it had settled its claims against Jergens Bales. Wal-Mart declined to agree, in part, because Thomas & Marker refused to provide a copy of the Agreement with Jergens Bales.

Thomas & Marker then filed a motion to dismiss

Jergens Bales and later a notice of release of Jergens Bale's mechanic's lien. The Court then dismissed Jergens Bales and the Clark County Treasurer, thereby restoring [\*6] its diversity jurisdiction. The Court also indicated that Wal-Mart had exhausted its extrajudicial efforts to obtain the Agreement and could file the motion to compel regarding the Agreement that is now before the Court.

## THE ARGUMENTS

Wal-Mart now seeks to compel discovery of the confidential settlement agreement and to depose the signatories thereto. Wal-Mart argues that the terms of the confidential settlement agreement are relevant and discoverable pursuant to *Fed. R. Civ. P. 37*. Wal-Mart specifically argues that Thomas & Marker is required by the federal and local rules to supplement its initial discovery responses regarding correspondence between Jergens Bales and Thomas & Marker relating to the Supercenter project by providing the Agreement.

Wal-Mart also argues that the terms of the Agreement are relevant to the credibility of the witnesses who may be called to testify at trial. There is no doubt, according to Wal-Mart, that employees from Jergens Bales will be called to testify and the fact-finder is entitled to consider any hidden motives related to the Agreement in these witnesses' testimony.

Wal-Mart also argues that the terms of the Agreement may be relevant to the damages [\*7] at issue in this case. The Agreement may, according to Wal-Mart provide a set-off to any damages that may be awarded to Thomas & Marker.

In addition, Wal-Mart argues that it is entitled to any information related to the settlement of the claim regarding the waterline. This is because Wal-Mart has a counterclaim against Thomas & Marker for the alleged negligent installation of the waterline.

Wal-Mart also argues that the assertion that the Agreement is confidential is without merit. This is because settlement agreements are discoverable and the Parties already have a protective order in place that can be applied to the settlement agreement.

Finally, Wal-Mart argues that the confidential settlement agreement may be a *Mary Carter* agreement.<sup>1</sup> *Mary Carter* agreements are discoverable and admissible in Ohio. *Hodesh*, 2008 Ohio 2052, 2008 WL 1913530 at

\*6.

1 A *Mary Carter* agreement is a contract between a plaintiff and at least one defendant allying them against another defendant at trial. *Hodesh v. Korelitz*, 2008 Ohio 2052, 2008 WL 1913530 at \*5 (Ohio Ct. App. 2008).

Thomas & Marker responds that it does not have to supplement its discovery response because Wal-Mart agreed to accept its project file in lieu of responses [\*8] to Wal-Mart's First Set of Interrogatories and Requests for Production of Documents. Thomas & Marker also argues that the Agreement is not relevant to any of Wal-Mart's claims or defenses. It is not relevant, according to an Affidavit submitted by Thomas & Marker, because it does not align Thomas & Marker and Jergens Bales against Wal-Mart, because it does not include an agreement for Jergens Bales to repay any money from rock excavation change orders or limit Jergens Bales' liability based upon the amount Thomas & Marker recovers from Wal-Mart and because it does not result in Thomas & Marker receiving any money or the promise of any money from Jergens Bales in payment for the installation of the subject waterline by Jergens Bales. Finally, Thomas & Marker avers that the confidential settlement agreement is not a *Mary Carter* agreement.

Thomas & Marker requests that the Court conduct an in camera review of the confidential settlement to determine whether it is relevant. Wal-Mart responds that an in camera inspection is unnecessary and improper and, without seeing the Agreement, it can only speculate as to its relevancy

## ANALYSIS

The Federal Rules of Civil Procedure provide for broad, liberal [\*9] discovery. *Evenflo Co., Inc. v. Hantec Agents Limited*, No. C-3-05-346, 2006 U.S. Dist. LEXIS 36342, 2006 WL 1580221 at \*1 (S.D. Ohio June 5, 2006). Discovery may be obtained regarding any matter not privileged that is relevant to the claim or defense of any party. *Id.* Further, relevance is to be broadly construed when applying the discovery rules. *Herbert v. Lando*, 441 U.S. 153, 177, 99 S. Ct. 1635, 60 L. Ed. 2d 115 (1979).

In this case, the Agreement may be relevant to Wal-Mart's claims and defenses. It may be relevant to the credibility of witnesses who may be called at trial, it may be relevant to any damages that may ultimately be

awarded, it may be relevant to the claim regarding the waterline and it may be relevant if it has the effect of a *Mary Carter* agreement.

In addition to being relevant, Thomas & Marker has a duty to supplement its initial discovery responses regarding correspondence between Jergens Bales and Thomas & Marker relating to the Supercenter project by providing the Agreement. *See Abrahamsen v. Trans-State Express, Inc.*, 92 F.3d 425, 428 (6th Cir. 1996). The fact that Thomas & Marker provided its project file to satisfy several items in Wal-Mart's initial discovery request does not relieve Thomas & Marker from supplementing [\*10] information that it receives regarding one of the requested items.

In addition to being relevant, the Agreement is otherwise discoverable. *See American Guarantee and Liability Insurance Co., v. CTA Acoustics, Inc.*, 2007 U.S. Dist. LEXIS 26485 at \*10-11 (E.D. Ky. Apr. 9, 2007). Regarding confidentiality, the Parties have a Protective Order in place that, if applicable, could be used to facilitate exchange of the Agreement. Finally, regarding

an in camera inspection, absent assertion of some legal privilege, which is not the case here, this Court declines to become involved at this stage of the proceedings.

Wal-Mart's Motion To Compel Settlement Agreement and Discovery Depositions (doc. # 94) is GRANTED. Thomas & Marker is given until not later than five (5) days following entry of this Order to provide a copy of the Agreement to Wal-Mart. Further, depositions of the signatories to the Agreement may be conducted so long as they are limited to the contents of the Agreement and so long as they are completed by not later than October 13, 2008, which is one week before motions in limine are to be filed in this matter.

**DONE** and **ORDERED** in Dayton, Ohio this Sixth day of August, 2008.

/s/ **Thomas** [\*11] **M. Rose**

THOMAS M. ROSE

UNITED STATES DISTRICT JUDGE